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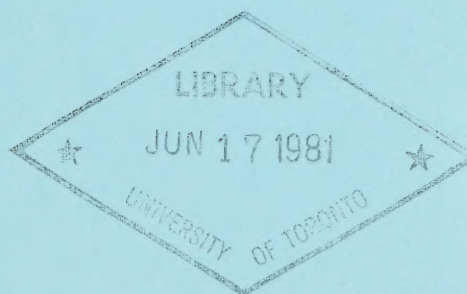
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CANADA

REFERENCE 158 RELATING TO THE GENERAL PREFERENTIAL TARIFF PART I



REFERENCE
158

A REPORT BY
THE TARIFF BOARD

CAI
FNSS
-81R58

REFERENCE 158

RELATING TO

THE GENERAL PREFERENTIAL TARIFF

PART I

This report, made pursuant to a reference by the Minister of Finance and signed by the Board on March 27, 1981, is presented for tabling in Parliament under the provisions of section 6 of the Tariff Board Act.

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REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

PART I

-- GPT Extension --

-- Report on Annex A Tariff Items --

INTRODUCTION

The Honourable Allan J. MacEachen, Minister of Finance, in his letter dated July 24, 1980, to the Chairman of the Tariff Board, requested the Board, pursuant to section 4(2) of the Tariff Board Act, to conduct an inquiry into a number of matters relating to the General Preferential Tariff. His letter follows:

Mr. John A. MacDonald
Chairman
Tariff Board
365 Laurier Avenue West
Ottawa, Ontario
K1A 0G7

Dear Mr. MacDonald:

I am writing to ask the Tariff Board to study and report under section 4(2) of the Tariff Board Act on a number of matters relating to the General Preferential Tariff (GPT).

The Canadian GPT was implemented in 1974 as part of an international system of tariff preferences designed to assist developing countries to expand their exports of manufactures and semi-manufactures to developed country markets. The preferential rate on industrial products covered by the Canadian scheme is established by legislation at two-thirds of the Most-Favoured-Nation (MFN) rate of duty or the British Preferential (BP) rate, whichever is lower. Specific preferences have also been established for selected agricultural products. Most textile products, leather footwear and certain electron tubes and parts were excluded from the coverage of the GPT by Order in Council under the safeguard clause because of the particular sensitivity of Canadian production in these sectors to import competition.

Since it came into effect in 1974, the GPT has been the subject of numerous and often conflicting representations. On the one hand, developing countries seeking to improve their competitive position vis-à-vis developed countries in the Canadian market have requested that preferences under the GPT be improved and also that the product coverage of the scheme be expanded. Most recently developing countries have expressed concern that the lowering of MFN tariff rates as a result of the multilateral trade negotiations (MTN) will yield smaller margins of preference for developing countries under the GPT than at present. They are seeking further improvements to the Canadian scheme so that their relative competitive position in the Canadian market will be enhanced or, at least, maintained.

On the other hand certain Canadian producers have expressed dissatisfaction and concern over the granting of preferential access to the Canadian market for developing countries. They argue that for many products these countries no longer need preferential access to compete in the Canadian market and that Canadian production and employment may be threatened by these preferences. Canadian producers have also alleged that the current safeguard provisions under the GPT are inadequate and do not allow for prompt consideration and open review of petitions for withdrawal or suspension of preferences.

In response to these latter representations and in order to be in a position to consider improvements to the GPT, the government will be introducing legislation to change the safeguard provisions of the GPT legislation. These changes will be designed primarily to facilitate the review of petitions from Canadian industry for withdrawal or suspension of the GPT preference on particular products from either one or all GPT beneficiaries. The proposed changes would include a provision to allow Canadian producers to petition the Tariff Board directly to determine whether imports at GPT rates are causing or threatening to cause them injury and, in the case of a positive finding, to recommend appropriate safeguard action to the government. Authority for the Governor in Council to establish tariff rate quotas, on the recommendation of the Tariff Board, as an alternative to outright exclusion

of products from the GPT, would also be provided for in the amended GPT legislation. (Under a tariff rate quota the MFN tariff rate would be automatically restored when imports at the preferential rate reach a predetermined level). These changes should, if implemented, reassure Canadian producers that their requests for safeguard action will be given prompt consideration under procedures which allow for extensive input by, and consultation with, Canadian industry. At the same time, developing countries or their representatives would have the opportunity to make representations to the Board on any petition for safeguard action.

I recognize, however, that legislation will take time and that Canadian producers have an immediate concern. I would therefore like to meet that concern as far as possible within the context of existing legislation. Accordingly, I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury. If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers. The Board shall report its findings to me within six months of commencing its inquiry together with its recommendations as to whether in the particular instance the General Preferential Tariff should be withdrawn in whole or in part. If as the inquiry proceeds the Board is satisfied that there is a situation requiring urgent action, it shall make an interim report

and recommendation prior to its final report and recommendation. In addition to the views of Canadian producers the Board should, in carrying out the inquiry, invite and take into account the views of the exporting beneficiary country or countries, exporting firms or representatives thereof as well as Canadian importers and consumers.

Given the reassurances that will be provided Canadian producers upon implementation of the proposed changes to the safeguard provisions, and bearing in mind the results of the MTN, the government also considers it timely and appropriate to review what changes or improvements to the GPT scheme may be possible to deal with the concerns of developing countries noted above. I would not want to propose such changes or improvements, however, unless it were determined that Canadian interests would not be adversely affected. I, therefore, direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act, to review and report on the expected impact on Canadian production of including in the GPT those products covered by the tariff items listed in Group I of Annexes A and B to this letter, and the expected impact on Canadian production if the preferential rate under the GPT were established at Free for those products covered by the tariff items listed in Group II of Annexes A and B. I would also ask the Board to include in its report recommendations, based on its findings, as to whether any of the products covered by the tariff items in Group I should be included in the GPT and if so at what rates, and whether any of the products covered by the items in Group II should be allowed duty-free entry under the GPT.

If the Board should conclude that the inclusion in the GPT of some of the goods which are now excluded would be facilitated by the establishment of tariff rate quotas for those products, I would ask the Board also to make recommendations regarding the levels of such quotas. With regard to the GPT rates which the Board might recommend for products which are now excluded from the GPT, but for which the GPT rate formula would apply if they were included in the GPT, I would ask the Board to consider only two options: duty-free entry or the formula rate (i.e. the MFN rate minus one-third or the BP rate if it is lower).

I would ask that the Tariff Board report not later than nine months from the date of this letter on the tariff items listed in Annex A. The Board's report on the items listed in Annex B should be submitted within one year of its report on the items listed in Annex A.

Yours sincerely,

Allan J. MacEachen

Subsequently, the Minister of Finance sent a second letter requesting the Board to study three additional tariff items under Annex A, as follows:

August 1, 1980

Dear Mr. MacDonald:

I refer to my letter of July 24 directing the Board to study a number of matters relating to the General Preferential Tariff (GPT). The Annex to this letter included tariff items 35200-1, 38700-1 and 40103-1.

In the multilateral trade negotiations (MTN) Canada agreed to establish separate tariff provisions for certain of the products classified under these items. The new tariff items (35200-2, 38700-2, 40103-2) established by the Notice of Ways and Means Motion of June 2, 1980, were inadvertently left off the Annex to my earlier letter. Since the goods covered by these provisions will no doubt be discussed in the course of the Board's hearings and review relating to items 35200-1, 38700-1 and 40103-1, I think it is desirable to have the Board study the likely impact of free entry under the GPT for the goods covered by these items as well.

I therefore direct the Board to include items 35200-2, 38700-2 and 40103-2 in its study and report.

Yours sincerely,

Allan J. MacEachen

The Minister of Finance has, thus, referred a total of 204 tariff items for study under the general inquiry part of Reference 158. These are, for hearing and reporting purposes, divided into Annex A (109 items) and Annex B (95 items). Each Annex is further subdivided into Group I, items proposed for inclusion under the GPT, and Group II, items already under the GPT.

Annex A comprises 42 tariff items in Group I and 67 tariff items in Group II, as follows:

GROUP I

Food Products

805-1	915-1	2605-1	3910-1	4505-1	4600-1
6500-1	6600-1	6605-1	6610-1	6928-1	71110-1

Fisheries Products

11901-1	11902-1	11903-1	11904-1	12100-1	12105-1	12303-1	12405-1
12505-1	12505-2	12600-1	12700-1	12805-1	13300-1	66335-1	66340-1

Textile Products

52205-1	53010-1	53205-1	53210-1	56005-1	56010-1
56105-1	56110-1	56210-1	56230-1	56610-1	56611-1

Metals/Metal Products

35301-1

Miscellaneous

25403-1

GROUP II

Food Products

1300-1	1400-1	2300-1	2505-1	3200-1	3300-1
3400-1	11400-2	14100-1			

Metals/Metal Products

33900-1	33910-1	34815-1	34900-1	34905-1	34907-1	34910-1	35200-1
35200-2	35215-1	35405-1	35700-1	36505-1	37900-1	37900-2	37905-1
37905-2	37910-1	37910-2	38105-1	38105-2	38700-1	38700-2	39000-1
39600-1	40101-1	40101-2	40102-1	40102-2	40103-1	40103-2	41245-1
43000-1	43030-1	43110-1	43120-1	44100-1			

Textile Products

52010-1	53240-1	55302-1	55910-1	56225-1	56605-1	57210-1
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Miscellaneous

19710-2	32609-1	41410-1	41430-1	41435-1	44100-2	44335-1	44502-2
44534-1	44535-1	50600-6	53020-1	62000-1	65605-2		

The present report contains the Board's recommendations on all these items.

The Board, in essence, was requested to determine the impact on Canadian production resulting from the extension of GPT benefits to Group I tariff items, and from the reduction in existing GPT rates for Group II items, as proposed by the Minister. For those goods and tariff items where, in the opinion of the Board, the Minister's proposals, if implemented, would have an adverse impact on Canadian interests, the Board was asked to recommend non-extension of GPT privileges (Group I) or non-reduction of existing GPT rates (Group II). For goods and/or tariff items where the Board is satisfied that the Minister's proposals, if put into effect, would not affect Canadian interests adversely, the Board was asked to recommend their implementation.

With respect to items which are at present excluded from the GPT, the Board was requested to consider:

- 1) the formula rate, i.e., a GPT rate at a level of the MFN rate minus a third, or the BP rate, whichever is the lesser, or --
- 2) a GPT rate of Free.

For Group I tariff items where, in the opinion of the Board, full extension of GPT benefits is inadvisable, the Board was asked as well to consider their inclusion, but with a restriction of such benefits by the provision of a tariff rate quota. A tariff rate quota limits the extension of the GPT rate to a specified quantity or volume for the good in question, and all importations exceeding that quantity or volume would

enter at the existing MFN (or BP) rate. In such instances, the Board was also requested to recommend the actual quantities or volumes to which the GPT rate would be confined.

Finally, for goods and tariff items already under the GPT, the Board was asked to consider a reduction to Free only.

In addition to the above, the Board in its study considered several other alternatives as well. With one or two exceptions, however, the options provided by the Minister were found to be sufficiently inclusive.

The Canadian General Preferential Tariff -- a Brief Background Note

The GPT is a unilateral extension by Canada of reductions in tariff rates to less developed countries. By extending such reductions, Canada has joined other industrialized nations in assisting the growth of the less developed countries by providing preferential access to the domestic markets of donor nations. Some 160 countries and territories may enjoy such trading privileges. A list appears in Appendix I.

The Canadian GPT was introduced on July 1, 1974 for a ten-year period. These provisions will, therefore, expire on July 1, 1984, unless renewed.

Canada's trade with GPT countries is not extensive. In 1979, the latest year for which detailed data are available, such trade accounted for \$3,339.5 million, or 5.7 per cent of Canada's imports, excluding crude petroleum and natural gas.

Total GPT imports under Annex A tariff items amounted to \$138.7 million in 1979, equal to 4.2 per cent of total Canadian imports from GPT countries, again excluding petroleum and natural gas, and less than 0.2 per cent of total Canadian imports of all goods. However, the proposed reductions provide easier access to a total import market of \$1.5 billion (1979 figures), the value of total imports from all countries under Annex A tariff items, and, of course, to an even greater domestic market.

To allow for an orderly development of international trade under this system of privileges, the programs of most countries contain safeguard provisions. They are designed to deal with situations where GPT imports are causing or threatening to cause injury to the domestic economy of the donors. In countries of the European Economic Community and Japan, ceiling limits are in force. In the United States, the "competitive need" formula is used, according to which GPT benefits are phased

out as developing economies become internationally competitive in specific products. The United States also has a petitioning procedure under which products can be added to, or removed from, the GPT eligibility lists. Other donor countries, as well, have various mechanisms to assist the domestic industry to cope with the impact of the extension of trading privileges.

Canada provides for withdrawal of GPT benefits in the Customs Tariff, section 3.2(2), as follows: "The Governor in Council may, by order, from time to time, withdraw the benefit of the General Preferential Tariff in whole or in part from any country to which it has been extended ...". Pursuant to this clause, the Minister has asked the Board, under Reference 158, in addition to conducting a general inquiry into extension of GPT benefits, also to carry out inquiries into petitions requesting withdrawal of such benefits to safeguard Canadian producers from injurious GPT imports. The Minister indicated in his letter that the government will be introducing legislation to change the current safeguard provisions.

THE BOARD'S APPROACH AND PROCEDURES

The Board's approach to this inquiry was largely determined by the time constraints imposed by the Minister's deadline, the broad nature of the reference and the adverse impact criterion laid down by the Minister in his terms of reference. Annex A comprises 109 tariff items and some 1,300 individual goods. With much of the necessary data at that level of commodity detail being confidential and thus available from individual firms only, the determination of the impact of extending GPT benefits for all items and commodities would have required a data-gathering and an analytical effort well beyond the resources of the Board, given the Minister's deadline of April 24, 1981.

Therefore, in order to reduce its task to manageable proportions, the Board decided to concentrate its investigation mostly on those tariff items and goods with respect to which Canadian producers claimed that the proposed reduction in duties on imports from GPT countries would affect them adversely. This was, moreover, an approach which coincided with the Minister's criterion, that he would not propose GPT tariff changes or improvements unless it were determined that Canadian interests would not be adversely affected.

In line with this approach, a questionnaire was designed for the purpose of documenting "claims of adverse impact". The questionnaire took in the salient factors which are usually considered in the determination of injury within the GATT framework for subsidies and dumping, as requested by the Minister. The questionnaire was accompanied by a brief

description of the procedural steps involved in presenting a claim, a complete nomenclature of all referred items in both Annex A and B, together with current BP, MFN and, where applicable, GPT rates of duty, as well as scheduled reductions in these rates resulting from the latest Multilateral Trade Negotiations, and the GPT rates proposed by the Minister. This, together with data on total Canadian imports and imports from GPT countries for each tariff item referred to the Board, was made available to interested parties in the form of a background paper.

Inasmuch as private data and information contained in the questionnaires are at all times treated with utmost confidentiality by the Board, and, therefore, cannot be made available to other interested parties, all claimants were also requested to submit non-confidential briefs. These submissions, in accordance with standard procedures for the Board's inquiries, were circulated in advance of the public hearings to all affected GPT countries, as well as to all claimants who had submitted similar briefs.

Notification

As required under the Tariff Board Act, the central feature of this investigation was the public hearing. Public hearings offer an opportunity to Canadian producers to present their claims of adverse impact, and to other interested parties -- importers, consumers and GPT countries -- to present their comments and opinions disputing or supporting such claims.

The Board, as required by law, notified the public initially of the receipt of this reference in the Canada Gazette of August 9, 1980, with Notice R-200. In addition, notices in a somewhat abbreviated form were placed in a number of newspapers across the country. Furthermore, by direct mailing, the Board notified relevant federal departments, provincial governments, all embassies of GPT countries, various producers' and importers' associations and a large number of individual companies. A number of organizations, notably the Canadian Manufacturers' Association and the Canadian Importers Association Inc., assisted the Board by placing notices in their associations' publications or bulletins. Subsequent to Notice R-200, which announced the preliminary hearing on Reference 158, the Board also informed the public of regular public hearings on the proposed extensions of GPT benefits with respect to Annex A, (see Notices R-203 and R-205 in Appendix II).

In response to this publicity, a number of organizations, companies and firms, not initially contacted by direct mail, informed the Board of their interest in the subject matter under inquiry. On the

other hand, a number of companies on the initial mailing list indicated that Reference 158, Annex A, did not involve their interest. In total, there were 418 companies, organizations and similar parties on the Board's mailing list. Of these, 325 received, upon request, the background material prepared by the Board.

Public Hearings

The public inquiry process commenced with a preliminary hearing in Ottawa on October 14, 1980. At that hearing, the Board provided an opportunity to discuss in general the issues and procedures pertaining both to the extension of additional GPT benefits and to safeguard petitions. Hearings dealing specifically with GPT extension for Annex A tariff items were held on December 18, 1980, in Halifax, and on January 14 and 15, 1981, in Ottawa. A hearing scheduled and announced for Vancouver was subsequently cancelled for lack of submissions. Moreover, because of the number of claims received, the Board continued its Ottawa hearing of January 14 and 15 on January 27 and 28.

SUBMISSIONS

The Board received and dealt with 75 submissions listed below:

- Acme Iron Division of Firescreens International Limited,
Concord, Ontario
- *Algood Casters Limited, Weston, Ontario
- *Allan Candy Company Limited, The, Hamilton, Ontario
- Amax Specialty Metals (Canada) Limited, Rexdale, Ontario
- Amerock Limited, Meaford, Ontario
- *Androck Inc., Weston, Ontario
- Association of Canadian Biscuit Manufacturers, Don Mills, Ontario
- Atlas Steels, Welland, Ontario
- Belize, Government of, Belize, Belize
- Bureau of Competition Policy, Department of Consumer & Corporate
Affairs, Ottawa, Ontario
- *Cadbury Schweppes Powell Inc., Rexdale, Ontario
- *Califone Industries Ltd., Vancouver, British Columbia
- Cambridge Brass, Cambridge, Ontario
- Canada Metal Company Limited, The, Scarborough, Ontario
- *Canadian Apparel Manufacturers Institute, Ottawa, Ontario
- *Canadian Fasteners Institute, Toronto, Ontario
- Canadian Foundry Association, Orillia, Ontario
- *Canadian Hardware and Housewares Manufacturers Association,
Scarborough, Ontario
- *Canadian Importers Association Inc., Toronto, Ontario

- *Canadian Textiles Institute, Montreal, Quebec
 - Consoltex Canada Inc., Montreal, Quebec
 - Dominion Textile Limited/Limitée, Montreal, Quebec
 - DuPont Canada Inc., Montreal, Quebec
 - J.L. de Ball Canada Ltée/Ltd., Montreal, Quebec
 - Nalpac, Montreal, Quebec
 - Satexil Inc., Montreal, Quebec
 - Wabasso Inc., Shawinigan, Quebec
- Canadian Water Quality Association, Waterloo, Ontario
- *Cast Iron Soil Pipe Division of the Canadian Foundry Association,
 - Wyevale, Ontario
 - Bibby Foundry Limited, Cambridge, Ontario
 - Titan/Associated Foundry Limited, Surrey, British Columbia
 - Cello Products Inc., Cambridge, Ontario
 - Central Wire Industries Ltd., Perth, Ontario
- *Confectionery Manufacturers Association of Canada, Don Mills, Ontario
- *Connors Bros., Limited, Black's Harbour, New Brunswick
- *Coronet Housewares Inc., Baie d'Urfé, Quebec
- *Corporation House, (on behalf of the Canadian Textiles Institute)
 - Ottawa, Ontario
 - Danfoss Mfg. Co. Ltd., Mississauga, Ontario
- *Deluxe Embroidery Co. Corporation, Montreal, Quebec
- *Elgin Handles Limited, St. Thomas, Ontario
 - Emco Limited, London, Ontario
- *Fisheries Council of Canada, Ottawa, Ontario
 - Fittings (1980) Inc., Oshawa, Ontario
- *Ganong Bros., Limited, St. Stephen, New Brunswick
- *Garant Inc., St-Francois, Montmagny, Quebec
 - Gray Tool Company of Canada Ltd., The, Bramalea, Ontario
 - Greening Donald Co. Ltd., Hamilton, Ontario
 - Heating, Refrigerating and Air Conditioning Institute of Canada,
 - Islington, Ontario
- *Hershey Chocolate of Canada, Mississauga, Ontario
 - International Malleable Iron Co. Limited, Guelph, Ontario
- *Kerr Bros. Limited, Toronto, Ontario
 - Korea, Government of the Republic of, Seoul, Korea
- *Kraft Limited, Mount Royal, Quebec
- *Laura Secord, Scarborough, Ontario
 - Leigh Metal Products Ltd., London, Ontario
 - Lofthouse Brass Manufacturing Ltd., Whitby, Ontario
- *Lowney Inc., Toronto, Ontario
 - Machinery and Equipment Manufacturers' Association of Canada,
 - Ottawa, Ontario
 - Mallory Hardware Products Limited, Blenheim, Ontario
 - New Brunswick Fish Packers' Association, The, Moncton, New Brunswick
- *Noma Industries Limited, Scarborough, Ontario
 - Non-Ferrous Founders' Society, North Bay, Ontario

Noranda Metal Industries Limited, Montreal, Quebec
*Ocean Maid Foods Division of Zapata Canada Inc., St. Andrews,
New Brunswick
Peelle Company, Limited, The, Mississauga, Ontario
Resource Industries Branch, Department of Industry, Trade & Commerce,
Ottawa, Ontario
*Rowntree Mackintosh Canada Ltd./Ltée., Toronto, Ontario
*Sandvik Canada Corp., Mississauga, Ontario
*Shepherd Products Ltd., Markham, Ontario
*Simonds Cutting Tools Division, Wallace Murray Canada Inc.,
Granby, Quebec
*Soren Manufacturing Co. Limited, Toronto, Ontario
*Stanley Works Limited, The, Burlington, Ontario
Streamline Copper & Brass Ltd., Strathroy, Ontario
*Supreme Aluminum Industries Limited, Scarborough, Ontario
Trebtor Canada Inc., Granby, Quebec
*True Temper Canada Limited, Hamilton, Ontario
*Unican Security Systems Ltd., Montreal, Quebec
Waltec Forgings Limited, Wallaceburg, Ontario
Warner-Lambert Canada Limited, Scarborough, Ontario
*West Bend of Canada, Division of Dart Industries Canada Limited,
Barrie, Ontario
Western Plumbing & Industrial Supplies Limited, London, Ontario
*William Neilson Ltd./Ltée., Toronto, Ontario
Wolverine Brass Company Limited, Toronto, Ontario
*Wrigley Canada Inc., Toronto, Ontario

* Attended public hearings

Apart from product specific claims, the Board also received two submissions of a more general nature. The brief from the federal Department of Consumer & Corporate Affairs consisted of two parts: one dealing with issues of GPT policy, and the second with all referred tariff items. The Board considered the latter in arriving at its conclusions and recommendations as a presentation in support of the proposed extensions; the part discussing GPT policy was not given further consideration being outside the Board's mandate. For the same reason, the submission by the Canadian Importers Association Inc., which dealt almost exclusively with broader policy issues, could also not be considered by the Board.

FACTORS CONSIDERED

Following the guideline of the Minister that he "... would not want to propose such changes or improvements (to the GPT scheme), unless it were determined that Canadian interests would not be adversely affected ...", the Board has largely concentrated its investigation and inquiry

on those goods and tariff items for which Canadian manufacturers opposed the proposed extension of GPT benefits.

Claims of adverse impact were examined against those economic factors generally recognized as relevant to a determination of injury under the GATT with respect to dumping and subsidies. Accordingly, the Board considered such factors as actual and potential decline in output, sales, market share, profits and productivity. Inasmuch as adverse impact in these terms must be related to GPT imports only, the Board examined in particular evidence on the share of total Canadian imports and the share of the domestic market supplied by GPT-country imports. For Group II tariff items, those already provided for under the GPT, the trend of GPT imports since 1974, the year in which the GPT was introduced, was deemed to be especially relevant.

Furthermore, the Board also took due notice of world-wide conditions pertaining to those sectors of Canadian industry affected by the Minister's proposals, e.g., fishing and fish processing, textiles, iron and steel, other non-ferrous metals, etc. The international competitive position of an industry, as illustrated by its balance between imports and exports, was another relevant factor.

The Board was also influenced by the depth of the tariff cut proposed by the Minister. This was a concern especially for Group II tariff items, where the current GPT rate is already one-third less than the MFN rate, and where the Minister proposed a reduction of the remaining two-thirds to Free. A similar concern applied to Group I items where the current BP rate is Free, and where inclusion under the GPT would, thus, require a reduction to Free as well. On the other hand, the Board also took note that for some tariff items the BP and MFN rates were scheduled to decline to Free by 1987, as a result of recent Multilateral Trade Negotiations. An immediate reduction in the GPT rate would, therefore, simply accelerate, with respect to imports from GPT sources, the "scheduled" loss of protection already faced by Canadian manufacturers. For GPT suppliers, it would represent merely a temporary and a declining margin of preference.

The Board found that all submissions opposing GPT extension were characterized by a concern about the impact of GPT imports in the future. Few submissions based their objections to the Minister's proposals on an adverse impact from current GPT imports. This fear or apprehension concerning GPT imports was expressed in terms of lower labour costs, lower material costs, lower social security costs, lower labelling costs, the absence of pollution abatement costs, ready access to capital and technology, world scale of production, subsidies, etc. Frequently, mention was made of new capacity already in place in GPT countries, or presently being installed, or being planned. Many of these factors, acknowl-

edged to be operative currently, were, in most cases, admittedly not visible in current GPT imports. However, claimants feared that they would result in rapidly rising imports once tariff protection against such imports were reduced or totally eliminated. Concern was also expressed on occasion about the impact of the proposed tariff reductions on the domestic price structure and the financial viability of Canadian producers.

Most frequently identified sources of allegedly injurious GPT imports were Hong Kong, the Republic of Korea, Brazil, Mexico and Israel. Many of those appearing before the Board were of the opinion that newly industrialized countries should no longer be beneficiaries of the preferential access provided under the GPT. Such benefits should, instead, be accorded to the lesser developed countries. In this connection, reference was made by several interested parties to the "competitive need" criterion used by the United States in its GPT (GSP) system, whereby a country loses its preferred access to the U.S. market once shipments from that country exceed a certain percentage of total GPT imports of such goods. The Board did not include any country specific elements in its recommendations because, thus far, country specific action has not been the practice in Canada. However, the Board recommends that the review of the present GPT system, related to its expiry in 1984, give serious consideration to the introduction of a mechanism which would redistribute GPT benefits to those less developed countries needing such benefits most.

The Board, however, did not deem that an apprehension or fear of adverse impact was sufficient in itself in arriving at a recommendation to the Minister not to proceed with his proposals. The Board was of the opinion that such action required some tangible evidence of an existence of a real threat, such as large or rapidly rising imports from GPT countries, a concentration of such imports among two or three suppliers, and an increasing level of GPT penetration of the domestic market. In the absence of such evidence, the Board could not reasonably argue that an adverse impact was likely. In the event that the proposed extension of GPT benefits should result in an increase in GPT imports deemed to be injurious, manufacturers can avail themselves of the right under this reference, and subsequently under the amended safeguard provisions proposed by the Minister of Finance, to petition the Board for safeguard action and withdrawal of GPT benefits.

With respect to tariff items for which no submissions opposing GPT extension were received, the Board concluded that the very absence of such opposition was strong evidence that the Minister's proposals were unlikely to affect Canadian interests adversely. Again, as noted above, if the extension of GPT privileges were to result eventually in a level of GPT imports deemed to be injurious, the Board could be petitioned to recommend safeguard action. Nevertheless, in order to carry out the Minister's instructions, the Board examined all tariff items for which no

submissions were tendered, in order to determine whether any cases existed where adverse impact or a threat thereof was apparent. The Board examined trade data to determine the importance of GPT-country imports relative to total imports. Where imports from GPT countries comprised a substantial percentage of total Canadian imports, the investigation was extended to find out the percentage of the domestic market supplied by GPT imports. While these studies did not reveal any goods or tariff items where an adverse impact was likely, they did provide evidence for Group I tariff items whether to recommend inclusion under the GPT at the formula rate or at Free.

THE BOARD'S RECOMMENDATIONS

This section contains the Board's summary findings, conclusions and recommendations on the 63 tariff items which were the subject of claims of adverse impact. The recommendations for these 63 tariff items will be summarized in the following section, to be combined there with the recommendations of the Board for the 46 items for which no objections to GPT extension were received.

The current BP, MFN and GPT rates presented in the following summaries are those in effect as of January 1, 1981. For tariff items whose MFN rates will be reduced as a result of the recently-concluded Multilateral Trade Negotiations, the BP and MFN rates which will be in effect on January 1, 1987, are shown as well. In order to show GPT "current" rates for 1987, it was assumed that the GPT system would be renewed in 1984 on its present basis. For those items now having a GPT rate fixed by statute (subsection 3 of section 3.1 of the Customs Tariff), it was assumed that the present statutory GPT rate would continue to apply even where this resulted in a GPT rate higher than the MFN and BP rates in effect in 1987. For those items whose present GPT rate is established in accordance with the formula (subsection (1) and (7) of section 3.1), the formula was applied to the BP and MFN rates scheduled to be in effect in 1987. The proposed GPT rates for 1981 and 1987 for Group I items at present not provided for under the GPT schedule are formula rates as well. The alternative proposal of the Minister of extending the GPT to these items at Free is not shown.

Group I: Food Products

Tariff Items 6500-1, 6600-1
and 6605-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
6500-1 Biscuits, not sweetened.....	7.5 p.c.	7.5 p.c.	-	5 p.c.
Effective.....1/1/87	5 p.c.	5 p.c.	-	3 p.c.
6600-1 Biscuits, sweetened...	7.5 p.c.	7.5 p.c.	-	5 p.c.
Effective.....1/1/87	5 p.c.	5 p.c.	-	3 p.c.
6605-1 Biscuits, sweetened or unsweetened, valued at not less than 20 cents per pound, said value to be based on the net weight and to in- clude the value of the usual retail package.....	Free	7.5 p.c.	-	Free
Effective.....1/1/87	Free	5 p.c.	-	Free

Claimant:

1. Association of Canadian Biscuit Manufacturers

The Board has found that the domestic market for biscuits has been stagnant in recent years, a reflection in part of general economic conditions and, in part, of shifts in consumer tastes and preferences. This situation, combined with lower exports and rising imports, has, since 1974, caused the volume of output of domestic producers to decline. Imports of biscuits from GPT countries, still small in total as well as a percentage of total imports, have, however, been rising at a rapid pace in recent years, especially under tariff item 6605-1. This item has become the main import tariff item for non-GPT as well as GPT-country imports. In contrast, total imports and imports from GPT countries under tariff items 6500-1 and 6600-1 have been small.

The Board concludes, therefore, that, though extension of the GPT to items 6500-1 and 6600-1 would not likely have an adverse impact on Canadian production, there is sufficient evidence that such an impact may take place with respect to tariff item 6605-1, especially in view of the much larger reduction in duty being proposed for this item.

Therefore, the Board recommends that GPT treatment be extended at 5 p.c. for tariff items 6500-1 and 6600-1, but that the proposed GPT extension be withheld from tariff item 6605-1.

Group I: Fisheries Products

Tariff Items 11901-1, 11902-1,
11903-1 and 11904-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
Sardines, sprats or pilchards, packed in oil or otherwise, in sealed tin containers, the weight of the tin container to be included in the weight for duty:				
11901-1 When weighing over twenty ounces and not over thirty-six ounces each...per box	1.63 cts.	1.63 cts.	-	1.09 cts.
Effective.....1/1/87	1.25 cts.	1.25 cts.	-	0.83 ct.
11902-1 When weighing over twelve ounces and not over twenty ounces each.....per box	1.38 cts.	1.38 cts.	-	0.92 ct.
Effective.....1/1/87	1.00 ct.	1.00 ct.	-	0.67 ct.
11903-1 When weighing over eight ounces and not over twelve ounces each.....per box	0.92 ct.	0.92 ct.	-	0.61 ct.
Effective.....1/1/87	0.67 ct.	0.67 ct.	-	0.45 ct.

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
11904-1 When weighing eight ounces each or lessper box	0.69 ct.	0.69 ct.	-	0.46 ct.
Effective.....1/1/87	0.50 ct.	0.50 ct.	-	0.33 ct.

Claimants:

1. Connors Bros., Limited
2. Fisheries Council of Canada

The sole Canadian producer, Connors Bros., Limited, exports a major proportion of its output of canned sardines and is deemed to be internationally competitive. Although import penetration by shipments from GPT countries has grown rapidly in recent years and has reached a fairly significant proportion of the market, annual fluctuations in shipments from abroad seem to indicate that to a considerable extent such imports reflect supply conditions. A major consideration for the Board was the very low ad valorem level of protection, less than 3 p.c., provided by the present specific duties. In the opinion of the Board, GPT extension is unlikely to cause an adverse impact on Canadian production.

Therefore, because the bulk of the GPT imports enters under tariff item 11904-1, the 8-ounce tin being the predominant container, the Board recommends a GPT rate of 0.46 cent per box for tariff item 11904-1, and GPT rates of Free for tariff items 11901-1, 11902-1 and 11903-1.

Tariff Items 12100-1, 12105-1
and 12303-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
12100-1 Fish preserved in oil, n.o.p.....	15 p.c.	15 p.c.	-	10 p.c.
Effective.....1/1/87	14 p.c.	14 p.c.	-	9 p.c.
12105-1 Bonito preserved in oil.....	9.3 p.c.	9.3 p.c.	-	6 p.c.
Effective.....1/1/87	7 p.c.	7 p.c.	-	4.5 p.c.

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
Fish, prepared or preserved n.o.p.:				
12303-1 All other fish, n.o.p	11 p.c.	11 p.c.	-	7 p.c.

Claimants:

1. Fisheries Council of Canada
2. Ocean Maid Foods Division of Zapata Canada Inc.

Imports under these three tariff items comprise mainly canned tuna. GPT imports of canned tuna, mostly from Fiji and Malaysia, have risen sharply in the recent past. They have displaced MFN imports and have also reduced the share of the domestic market supplied by Ocean Maid Foods, the sole domestic processor of tuna. Moreover, it is known that additional processing capacity for canning tuna is being installed in other GPT countries. On the basis of such evidence, the Board concludes that the proposed extension of GPT benefits to canned tuna from GPT suppliers would likely have an adverse impact on the Canadian processor, and recommends that in the present case the Minister not proceed with his proposal.

Instead, the Board recommends the introduction of a new tariff item for canned tuna to read as follows: "Tuna (including bonito), preserved in sealed containers, n.o.p.". The MFN and BP rates, effective immediately, would be 13.9 p.c., declining to 13.1 p.c. by 1987. The MFN rate was calculated on the basis of 1978 imports of canned tuna under each of the three items under consideration here. Inasmuch as this new tariff item would make item 12105-1 redundant, the Board, furthermore, recommends that the latter be deleted.

With respect to fish products other than canned tuna covered by tariff items 12100-1 and 12303-1, the Board did not receive any claims of adverse impact nor did it establish independently any evidence of such an impact. Therefore, the Board recommends that for these two tariff items, with their present nomenclature, a rate of 10 p.c. and 7 p.c., respectively, be provided for under the GPT schedule, as proposed.

Tariff Item 12405-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
12405-1 Shellfish, prepared or preserved, n.o.p.....	9.8 p.c.	9.8 p.c.	-	6.5 p.c.
Effective.....1/1/87	6 p.c.	6 p.c.	-	4 p.c.

Claimant:

1. Fisheries Council of Canada

Counter-Claimant:

1. Government of the Republic of Korea

Evidence before the Board showed that imports from GPT countries of the goods covered by this item have remained small in the recent past and, moreover, have, to some extent, been displaced by rapidly rising imports from non-GPT countries. Furthermore, the Board did not receive any claims of any adverse impact on Canadian production for the goods at issue resulting from the proposed extension of GPT benefits for tariff item 12405-1.

Therefore, the Board recommends that for tariff item 12405-1 GPT extension be granted as proposed at a rate of 6.5 p.c.

Tariff Items 12505-1&2

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
12505-1 Oysters, prepared or preserved; oysters in the shell.....	6.9 p.c.	6.9 p.c.	-	4.5 p.c.
Effective.....1/1/87	5 p.c.	5 p.c.	-	3 p.c.
12505-2 Oysters, smoked, whether or not in cans or other air-tight containers.....	6.4 p.c.	6.4 p.c.	-	4 p.c.
Effective.....1/1/87	3 p.c.	3 p.c.	-	2 p.c.

Claimant:

1. Fisheries Council of Canada

Counter-Claimant:

1. Government of the Republic of Korea

Analysis by the Board of data before it showed that, in recent years, there have been no imports of fresh or frozen oysters from GPT countries. Furthermore, for some four years now, there has been no domestic production of canned oysters in Canada, nor are there any indications of a revival of this industry.

Therefore, the Board recommends that imports from GPT countries under tariff items 12505-1 and 12505-2 be extended Free entry.

Tariff Item 12600-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
12600-1 Clams in sealed containers.....	10 p.c.	10 p.c.	-	6.5 p.c.

Claimant:

1. Fisheries Council of Canada

Counter-Claimant:

1. Government of the Republic of Korea

The share of the domestic market of canned clams supplied by domestic producers has been increasing. The import share, currently accounting for some 70 per cent of Canadian consumption, has evidently declined. Substantial and rising GPT-country imports have apparently not affected domestic production adversely, having exclusively displaced non-GPT imports.

The Board acknowledges that the proposed establishment of a GPT rate of duty at 6.5 p.c. as against the prevailing rate of 10 p.c. could result in a further increase of imports from GPT countries. The Board notes, however, that past evidence would indicate that such imports would

most likely continue to displace imports from MFN countries and would thus unlikely affect Canadian production adversely.

Therefore, the Board recommends that the GPT be extended for the tariff item 12600-1 at a rate of 6.5 p.c.

Tariff Items 12700-1 and
12805-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
12700-1 Crustaceans, fresh, n.o.p.; crustaceans, prepared or preserv- ed, n.o.p.....	8 p.c.	8 p.c.	-	5 p.c.
12805-1 Lobsters, prepared or preserved.....	9.8 p.c.	9.8 p.c.	-	6.5 p.c.
Effective.....1/1/87	6 p.c.	6 p.c.	-	4 p.c.

Claimants:

1. Connors Bros., Limited, for 12700-1
2. Fisheries Council of Canada, for 12700-1 and 12805-1
3. New Brunswick Fish Packers' Association, The, for 12700-1

Counter-Claimant:

1. Government of Belize, for 12700-1

Prepared or preserved lobster imports under tariff item 12805-1 have been insignificant and no evidence of imports of this product from GPT countries has been found. Lobster, mostly fresh or frozen, entering under item 12700-1, is lobster of a different kind from that primarily caught in Canadian waters. Imports of fresh or frozen lobster of the same kind as the Canadian product enter Free of duty under item 12800-1, which, however, is not covered by Reference 158.

Imports under tariff item 12700-1 are substantial, and are, moreover, increasing rapidly. They originate mostly from GPT countries, notably from Cuba. However, evidence shows that such imports are not affecting Canadian production at present. The Canadian lobster industry

is largely oriented to serving the U.S. market, especially for fresh lobster in the shell, exporting lately at least three-quarters of its catch. Imports of fresh and frozen lobster, about equally divided in volume between tariff items 12700-1 and 12800-1 (Free), enter in large part during Canada's off-season. For these reasons, as well as the fact that Canadian lobster landings are governed by supply management restrictions, the Board concludes that GPT imports, given the prevailing strong demand for this luxury product, will unlikely affect the Canadian industry adversely should such imports rise as a result of a GPT extension.

With respect to fresh or frozen crab entering under item 12700-1, the Board found that GPT-country imports are negligible, although imports, in total, have risen very rapidly and have increased their share of the domestic market. At the same time, Canadian crab production, and crab exports, have expanded strongly as well. The Board concludes, on this evidence, that the proposed GPT extension would not have an adverse impact on domestic production of fresh or frozen crab.

Therefore, the Board recommends the inclusion of tariff items 12700-1 and 12805-1 under the GPT at rates of 5 p.c. and 6.5 p.c., respectively.

In supporting the proposed extension of the GPT, the Government of Belize argued that Belize's exports to Canada of goods under tariff item 12700-1 are nominal. No increase of such shipments was envisaged since nearly all production of the goods in question has been traditionally exported to the United States.

Tariff Item 13300-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
13300-1 All other articles the produce of the fisheries, n.o.p.....	7.3 p.c.	7.3 p.c.	-	4.5 p.c.
Effective.....1/1/87	5 p.c.	5 p.c.	-	3 p.c.
<u>Fish caught by fishermen in vessels registered in Canada or owned by any person domiciled in Canada, and the products thereof carried</u>				

13300-1 from the fisheries
(cont.) in such vessels,
shall be admitted
into Canada free of
duty. The Minister
may make such regu-
lations, if any, as
are deemed necessary
for carrying out the
provisions of this
section.

(See Section 9 of the
Customs Tariff)

Claimant:

1. Fisheries Council of Canada

The tariff item in question represents a residual item and encompasses a number of fish products such as: fish paste, capelin for bait, herring, mackerel, squid, fish roe, fish eggs and shellfish, all for bait, and similar marginal products, many of them crude and inedible. Even though imports of these miscellaneous fish products from GPT countries have risen substantially in recent years to account for a large proportion of total imports under tariff item 13300-1, the Board in its analysis did not find any evidence that the proposed extension of the GPT would adversely affect Canadian producers.

Therefore, the Board recommends that the GPT be extended to tariff item 13300-1 as proposed at a rate of 4.5 p.c.

Tariff Item 66335-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
66335-1 Fish meal.....	Free	8.8 p.c.	-	Free
Effective.....1/1/87	Free	5 p.c.	-	Free

Claimants:

1. Connors Bros., Limited
2. Fisheries Council of Canada

Fish meal production in Canada is at present almost exclusively a by-product of fish processing. The Board has observed that imports of fish meal into Canada are quite erratic. In addition, no imports from GPT countries were recorded for the past three years.

Therefore, the Board concludes that any reduction in the rate of duty on imports of fish meal from GPT countries would not likely have an adverse impact upon Canadian production, and so recommends that the GPT be extended at Free to tariff item 66335-1, as proposed.

Group I: Textile Products

Tariff Item 52205-1

		<u>GPT</u>	
		<u>Current</u>	<u>Proposed</u>
	<u>BP</u>	<u>MFN</u>	
Woven fabrics, wholly of cotton:			
52205-1 With cut pile.....	10 p.c.	20 p.c.	- 10 p.c.
Effective.....1/1/87	10 p.c.	15 p.c.	- 10 p.c.

Claimants:

1. Canadian Textiles Institute
Dominion Textile Limited/Limitée
J.L.de Ball Canada Ltée/Ltd.

Counter-Claimant:

1. Government of the Republic of Korea

The Board noted that imports already command a dominant share of the Canadian market for the goods covered under this item. GPT imports,

moreover, have expanded very rapidly, increasing their share both of total imports and of the Canadian market.

As a result, the Board felt that an unrestricted extension of the GPT was likely to have a significant adverse effect on the domestic industry. However, the Board was of the opinion that this adverse impact would be confined if the proposed rate of 10 p.c. for GPT-country imports were accompanied by a tariff rate quota, equivalent to average imports for 1977-1979, of 2.3 million pounds for coloured cotton corduroys, and of 1 million pounds for cotton broadwoven pile fabrics.

The Board, therefore, recommends extension of the GPT, as proposed by the Minister, at 10 p.c. for tariff item 52205-1, subject, however, to the above tariff rate quotas.

Tariff Item 53010-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
53010-1 Slivers, wholly or in parts of wool, not containing man-made fibres or glass fibres.....per pound	Free	5 cts.	-	Free
Effective.....1/1/87	Free	Free	-	Free

The Minister proposed that the GPT be extended to tariff item 53010-1 at a rate of Free. The Canadian Textiles Institute supported this proposal. Not having received any claims of adverse impact, the Board recommends that the GPT extension to tariff item 53010-1 be implemented as proposed.

Tariff Item 53205-1 and
Temporary Items 53245-1,
53246-1, 53247-1, 53250-1 and
53255-1

53205-1 Woven fabrics composed wholly or in part

		GPT		
		<u>BP</u>	<u>MFN</u>	<u>Current</u> <u>Proposed</u>
53205-1	of yarns of wool or			
(cont.)	hair, n.o.p.....	18 p.c.	25 p.c.	- 16.5 p.c.
	and, per pound	18 cts.	25 cts.	- 16.7 cts.
The total duty levi-				
able shall not be in				
excess of...per pound		60 cts.	-	- 60 cts.
Effective.....	1/1/87	18 p.c.	25 p.c.	- 16.5 p.c.
The total duty levi-				
able shall not be in				
excess of...per pound		60 cts.	-	- 60 cts.

Woven fabrics, composed of yarns spun on the woollen system, containing not less than 50 p.c. by weight of virgin wool or hair and not containing more than one generic type of man-made fibre, or containing not less than 40 p.c. by weight of virgin wool or hair and not containing any man-made fibres, for use in the manufacture of men's and boys' suits, vests, sport coats and blazers, dress slacks and fine tailored topcoats other than car coats and duffle coats:

53245-1 Weighing not more than 9 ounces to the square yard in accordance with standard test methods described in ASTM D1776-74, and valued at not less than \$5

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
53245-1 per square yard..... (cont.) (Temporary Tariff Item)	5.5 p.c.	5.5 p.c.	-	3.5 p.c.
53246-1 Weighing more than 9 ounces to the square yard but less than 12 ounces to the square yard in accordance with standard test methods described in ASTM D1776-74, and valued at not less than \$6.60 per square yard..... (Temporary Tariff Item)	6.5 p.c.	6.5 p.c.	-	4 p.c.
53247-1 Weighing not less than 12 ounces to the square yard in ac- cordance with stan- dard test methods described in ASTM D1776-74, and valued at not less than \$7.90 per square yard..... (Temporary Tariff Item)	7.5 p.c.	7.5 p.c.	-	5 p.c.
53250-1 Tweed fabrics, compos- ed wholly of yarns of virgin wool or hair spun on the woollen system, not exceed- ing 35 inches in loom width, valued at not less than \$8 per square yard, for use in the manufacture of men's and boys' suits, vests, sport coats and blazers, dress slacks and fine tailored top-				

		<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
				<u>Current</u>	<u>Proposed</u>
53250-1 (cont.)	coats other than car coats and duffle coats..... (Temporary Tariff Item)	Free	Free	Free	not appl.
53255-1	Woven fabrics compos- ed of yarns contain- ing not less than 95 p.c. by weight of virgin wool or hair, spun on the woollen system, valued at not less than \$14 per square yard, for use in the manufacture of men's fine tai- lored topcoats other than car coats and duffle coats..... (Temporary Tariff Item)	Free	Free	Free	not appl.

Claimants:

1. Canadian Textiles Institute

Satexil Inc.

Counter-Claimant:

1. Government of the Republic of Korea

The Board noted that, while the Canadian market for woollen fabrics has grown rapidly, most of the growth has been concentrated in the light-weight range, (under 12 ozs. per sq. yd.), of which tariff item 53205-1 basically covers fabrics of less than 12 ozs., but more than 9 ozs. Moreover, practically the whole Canadian market for light-weight woollen fabrics is supplied by imports. Canadian production is mainly of woollen fabrics exceeding 12 ozs. Apparently, Canadian producers cannot compete in light-weight woollen fabrics on price, quality, style, etc., with developed countries such as Great Britain and Italy.

GPT imports have, however, been small, and have not been significant in the decline of this industry, nor do they appear to be a likely threat to this small remaining segment of the Canadian woollen textile industry in the event of GPT extension.

Accordingly, the Board recommends that the GPT be extended, as proposed, for tariff item 53205-1 with a rate of 16.5 p.c. and 16.7 cts. per pound, the total duty leviable not to exceed 60 cts. per pound.

However, the Board notes that this recommendation is intended to apply only to the current coverage of this tariff item. After tariff item 53205-1 had been referred to the Board, some of the goods heretofore classified thereunder became dutiable under new temporary tariff items 53245-1 and 53246-1, while some of the goods classified under item 53210-1, which will be considered next, became dutiable under temporary tariff item 53247-1. At the same time, other goods were extracted from items 53205-1 and 53210-1, and also item 53215-1 which was not included in Reference 158, and placed under new temporary items 53250-1 and 53255-1.

Temporary Tariff Items 53245-1, 53246-1 and 53247-1

These three new temporary tariff items were brought into existence by Order in Council P.C. 1980-3440, under the authority of section 273 of the Customs Act, amending the Customs Duties Reduction Regulations. The goods covered by tariff item 53245-1 were drawn principally from tariff item 53215-1, but also from 53205-1. Goods which are currently covered by tariff item 53246-1 were extracted in the main from tariff item 53205-1, while goods classified to the new tariff item 53247-1 were taken from tariff item 53210-1.

Under the provisions of the Customs Tariff setting up the GPT system, all six items would have been included under the GPT. However, when the GPT was brought into effect, an Order in Council was passed excluding tariff items 53205-1, 53210-1 and 53215-1 from the ambit of the GPT. The goods covered by the three new temporary tariff items have, therefore, never been under the GPT. This situation was perpetuated by Order in Council 1980-3441, which excluded the goods covered by these new tariff items from the benefits of the GPT.

In Reference 158, the Board has been asked to advise on the proposed extension of the GPT to cover tariff items 53205-1 and 53210-1, but not 53215-1. This raises the question as to whether any of the new temporary items should be considered. After a study in which the current and proposed rates were compared for the parent tariff items other than tariff item 53215-1, the Board found that the ad valorem equivalent of

the maximum GPT in 1987, given the existing price levels, would equal or exceed the BP/MFN rates under the temporary items. In view of this, and the already substantial reductions afforded by the creation of the temporary tariff items, particularly with respect to MFN imports, the Board recommends that as long as the temporary tariff items exist, the goods covered by them should be excluded from the GPT. If the temporary tariff items should expire or be otherwise terminated, then the goods would revert to the parent tariff items. They should then be treated under the GPT in the same manner as the goods which have remained covered by the parent items.

Temporary Tariff Items 53250-1 and 53255-1

These two new temporary tariff items, also brought into existence by Order in Council PC 1980-3440, cover goods hitherto classified under items 53205-1, 53210-1 and 53215-1. As noted above, all three parent items have been excluded from the ambit of the GPT, by Order in Council, since it was brought into effect in 1974. Tariff item 53215-1 was not included in Reference 158 but the Board is recommending that the other two parent items be brought into the GPT scheme.

While the new items (53250-1 and 53255-1) have been allowed to fall under the GPT, it is noted that GPT countries gain no advantage thereby. Calculated in accordance with the formula, the GPT rate under both items is Free, but free entry is also extended to all imports under the BP and MFN tariffs. Under the circumstances, the Board makes no recommendations for these items, but suggests that if at some future date both items, or either of them, should lapse or be altered, any goods reverting to the parent items should be treated in the same manner, with respect to the GPT, as other goods falling under those items.

Tariff Item 53210-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
53210-1 Woven fabrics composed wholly or in part of yarns of wool or hair and weighing not less than twelve ounces to the square yard.....	18 p.c.	25 p.c.	-	16.5 p.c.
and, per pound	13.5 cts.	25 cts.	-	16.7 cts.

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
53210-1 The total duty leviable shall not be in excess of...per pound	55 cts.	-	-	55 cts.
Effective.....1/1/87	18 p.c.	25 p.c.	-	16.5 p.c.
The total duty leviable shall not be in excess of...per pound	55 cts.	-	-	55 cts.

Claimants:

1. Canadian Textiles Institute

Satexil Inc.

The Board took careful note of the fact that Canadian production of woollen fabrics is concentrated in the heavier weight fabrics covered by this tariff item. In sharp contrast to the situation with respect to lighter woollen fabrics, mostly imported, the Canadian industry supplies most of the Canadian market for the heavier woollen fabrics, (over 12 ozs. per sq. yd.), covered by this tariff item. Total imports are, moreover, not very large. GPT imports at 4 per cent of total imports, and at a fraction of the domestic market, are small.

The Board concludes, therefore, that GPT-country imports are relatively insignificant at present, and that there is no evidence of an actual threat of an adverse impact on Canadian production from such imports resulting from the proposed GPT extension. In the event that GPT imports were to rise and were deemed to be injurious, Canadian manufacturers can then avail themselves of the opportunity to petition the Board for safeguard action.

Therefore, the Board recommends that the GPT be extended to tariff item 53210-1 with a rate of 16.5 p.c. plus 16.7 cents per pound, with the total duty leviable not to exceed 55 cents per pound, as proposed.

The Board's recommendation for tariff item 53210-1 is intended to apply only to the current coverage of the item. If the extracted goods covered by the new temporary tariff items 53247-1, 53250-1 and 53255-1 should at some future date revert to this parent tariff item, the Board proposes that they should then be treated under the GPT in the same manner as the goods which have remained covered by tariff item 53210-1.

Tariff Items 56005-1 and
56010-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
56005-1 Man-made fibres not exceeding twelve inches in length.....	5 p.c.	10 p.c.	-	5 p.c.
Effective.....1/1/87	5 p.c.	8.5 p.c.	-	5 p.c.
56010-1 Sliver, wholly or in part of man-made fibres.....	5 p.c.	10 p.c.	-	5 p.c.
Effective.....1/1/87	5 p.c.	8.5 p.c.	-	5 p.c.

Claimants:

1. Canadian Textiles Institute

Dominion Textile Limited/Limitée, for 56005-1

2. Corporation House (on behalf of the Canadian Textiles Institute)

Counter-Claimant:

1. Government of the Republic of Korea

Imports under these two tariff items have risen, especially those under item 56005-1, which is also, by far, the larger import item of the two. However, GPT imports are in both instances still small in absolute and relative terms, accounting for less than 2 per cent of total imports under this item, and for an even smaller proportion of the domestic market for staple fibre and sliver. Moreover, the level of GPT-country imports has remained stable for tariff item 56005-1, and has declined for item 56010-1.

The Board is of the opinion that extension of the GPT to these two items is unlikely to have an adverse impact on Canadian production, and, therefore, recommends a GPT rate of 5 p.c. for both tariff items.

Tariff Item 56105-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
56105-1 Yarns and rovings, wholly of man-made fibres or filaments, not more advanced than singles, not coloured, with not more than seven turns to the inch.....	18 p.c.	10 p.c.	-	6.5 p.c
and, per pound	-	10 cts.	-	6.67 cts.
The total duty levi- able shall not be in excess of.....	-	-	-	18 p.c.
Effective.....1/1/87	10 p.c.	10 p.c.	-	6.5 p.c
and, per pound	5 cts.	5 cts.	-	3.3 cts.

Claimants:

1. Canadian Textiles Institute

DuPont Canada Inc.

Counter-Claimant:

1. Government of the Republic of Korea

The Board noted, with respect to filament yarn, the major import product under this tariff item, that the domestic industry does not claim any adverse impact from GPT imports, although total imports from all countries are relatively large.

With respect to spun yarn, the other product under this tariff item, the domestic industry is not only dominant in the domestic market, but also exports substantial quantities. Total imports under this item, moreover, represent a low level of import penetration of the domestic market.

GPT-country imports, mostly acrylic yarn, are small, although they have been rising of late. Available evidence led the Board to con-

clude that imports from GPT countries are not affecting Canadian producers adversely at present, and are unlikely to do so in the future as a result of the proposed extension of the GPT to this tariff item.

Therefore, the Board recommends that GPT extension as proposed for item 56105-1 be implemented with a rate of 6.5 p.c. plus 6.67 cents per pound, the total duty leviable not to exceed 18 p.c.

The Board originally considered restricting the GPT benefits for acrylic yarn with a tariff rate quota, but has abandoned this recommendation because this product is no longer produced in Canada. In the event that domestic production of acrylic yarn recommences, a tariff rate quota with respect to GPT imports might be reconsidered.

Tariff Item 56110-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
56110-1 Yarns and rovings, wholly or in part of man-made fibres or filaments, including threads, cords or twines, not contain- ing wool or hair.....	20.2 p.c.	10 p.c.	-	6.5 p.c.
and, per pound	-	10 cts.	-	6.67 cts.
The total duty levi- able shall not be in excess of.....	-	-	-	20.2 p.c.
Effective.....1/1/87	10 p.c.	10 p.c.	-	6.5 p.c.
and, per pound	5 cts.	5 cts.	-	3.3 cts.

Claimants:

1. Canadian Textiles Institute

Dominion Textile Limited/Limitée

Wabasso Inc.

Counter-Claimant:

1. Government of the Republic of Korea

The Board noted that imports of various yarns under this tariff item had increased rapidly to very large volumes over the past decade.

GPT imports, while relatively small, had also grown rapidly during the above period, particularly from the Republic of Korea. Moreover, there is evidence of an emerging or potential adverse impact from GPT imports particularly for polyester/cotton blended yarns, and acrylic yarns.

However, the Canadian industry producing such yarns is also very large, and, as a whole, is estimated to have retained the dominant share of the Canadian market. With the aforementioned exceptions, GPT imports still represent mainly a potential, rather than an actual, threat of adverse impact.

Accordingly, the Board recommends that the GPT be extended to tariff item 56110-1 at 6.5 p.c. plus 6.67 cents per pound as proposed; the total duty leviable not to exceed 20.2 p.c. Furthermore, the Board recommends that this more favourable access for GPT imports be restricted for polyester/cotton blended yarns to 0.8 million pounds annually, the average volume imported in 1977, 1978 and 1979.

The Board further notes that, after tariff item 56110-1 was included in Reference 158, certain yarns wholly of polyester filament, when imported for specified end-users, have become dutiable under new temporary tariff items 56111-1, 56112-1 and 56113-1. Under the provisions of section 3.1 of the Customs Act, these new items fell within the ambit of the GPT as no action was taken under section 3.2(2) to withdraw them therefrom. The GPT rates under these tariff items are lower than those proposed for item 56110-1.

As with tariff item 56105-1, the Board considered a tariff rate quota for acrylic yarn for item 56110-1 as well. Again, this notion was dropped in view of the cessation of domestic production of this good.

Tariff Item 56210-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
56210-1 Woven fabrics with cut pile, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair.....	20 p.c.	25 p.c.	-	16.5 p.c.

Claimants:

1. Canadian Textiles Institute

Dominion Textile Limited/Limitée

J.L.de Ball Canada Ltée/Ltd.

Counter-Claimant:

1. Government of the Republic of Korea

Total import of goods under this tariff item, mostly pile fabrics of man-made fibres, have risen sharply since 1970, and have affected the position of Canadian producers in the domestic market. However, because GPT-country imports have been negligible or non-existent during this period, the Board concludes that an emergence of an adverse impact from such imports resulting from providing preferential access under the GPT schedule as proposed is not apparent.

The Board, accordingly, recommends extension of the GPT for tariff item 56210-1, as proposed, at a rate of 16.5 p.c.

Tariff Item 56230-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
56230-1 Woven cord tire fabric, wholly or in chief part, by weight, of man-made fibres or filaments, not to contain silk or wool, for use in the manufacture of pneumatic tires, n.o.p.....	7.5 p.c.	12.5 p.c.	-	7.5 p.c.

Claimants:

1. Canadian Textiles Institute

Dominion Textile Limited/Limitée

Counter-Claimant:

1. Government of the Republic of Korea

The Canadian market for woven cord tire fabrics shows a moderate upward trend since 1975, although it was severely depressed in 1980 reflecting, among other things, the decline in motor vehicle production. Imports have increased their penetration of the domestic market to over 25 per cent in 1979, though this level receded substantially in 1980. Most of the imports of woven cord tire fabrics come from the United States. Imports from GPT countries under tariff item 56230-1 are small and insignificant.

The Board concludes that any adverse impact on domestic production from imports from GPT countries resulting from the proposed extension of the GPT system to this tariff item is unlikely, and recommends, therefore, that the Minister proceed with his proposal to include tariff item 56230-1 under the GPT schedule at a rate of 7.5 p.c.

Tariff Items 56610-1 and
56611-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
Lace and netting, other than woven, bobbinet, embroideries, n.o.p.:				
56610-1 Wholly of vegetable fibres.....	10 p.c.	12.5 p.c.	-	8 p.c.
Effective.....1/1/87	10 p.c.	10 p.c.	-	6.5 p.c.
56611-1 Wholly or in part of other textile fibres or filaments.....	17.5 p.c.	20 p.c.	-	13 p.c.

Claimants:

1. Canadian Textiles Institute

Consoltex Canada Inc., for 56611-1

Nalpac

2. Deluxe Embroidery Co. Corporation

Counter-Claimant:

1. Government of the Republic of Korea

The lace and netting industry has experienced a high level of overall import penetration, reaching at times nearly one-half of the domestic market. However, since 1974, the industry appears to have been able to regain some of the lost ground, even though the domestic market has grown at a slow pace. During that period, domestic production expanded at the expense of MFN as well as GPT imports.

Therefore, for tariff item 56610-1, where GPT imports are both relatively and absolutely small, and where the proposed reduction in the rate of duty from 12.5 p.c. to 8 p.c. would be relatively small as compared with the reduction proposed for item 56611-1, the Board recommends that the GPT be extended as proposed.

However, the Board is of the opinion that a reduction from 20 p.c. to 13 p.c., proposed for tariff item 56611-1, which also is the main import item of the two under consideration here, could be expected to affect domestic producers adversely in the light of past capacity of GPT countries to penetrate the Canadian market.

Therefore, the Board recommends that for tariff item 56611-1 the proposed GPT extension not be implemented.

Group II: Food Products

Tariff Items 2300-1 and 14100-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
2300-1 Preparations of cocoa or chocolate, n.o.p., and confectionery coated with or con- taining chocolate....	10 p.c.	14.4 p.c.	10 p.c.	Free
Effective.....1/1/87	10 p.c.	12.5 p.c.	10 p.c.	Free

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
14100-1 Sugar candy and confectionery, n.o.p., including sweetened gums, candied popcorn, candied nuts, flavouring powders, custard powders, jelly powders, sweetmeats, sweetened breads, cakes, pies, puddings and all other confections containing sugar.....	12.5 p.c.	18.8 p.c.	12.5 p.c.	Free
Effective.....1/1/87	12.5 p.c.	15 p.c.	12.5 p.c.	Free

Claimants:

1. Allan Candy Company Limited, The
2. Cadbury Schweppes Powell Inc., for 2300-1
3. Confectionery Manufacturers Association of Canada
4. Ganong Bros., Limited
5. Hershey Chocolate of Canada
6. Kerr Bros. Limited, for 14100-1
7. Kraft Limited, for 14100-1
8. Laura Secord
9. Lowney Inc.
10. Rowntree Mackintosh Canada Ltd./Ltée., for 2300-1
11. Trebor Canada Inc., for 14100-1
12. Warner-Lambert Canada Limited, for 14100-1
13. William Neilson Ltd./Ltée., for 2300-1
14. Wrigley Canada Inc., for 14100-1

Counter-Claimant:

1. Government of the Republic of Korea, for 14100-1

The Canadian confectionery market has, in volume, expanded very little over the past decade. The major factor here has been consumer resistance to higher prices, substantiated by a decline in per capita consumption. A modest decrease in exports and a sharp rise in imports have brought about a drop in the volume of output of the Canadian confectionery industry. Imports now supply some 20 per cent of the domestic market.

Imports of confectionery from GPT countries under tariff items 2300-1 and 14100-1 have risen more rapidly than non-GPT imports. The proportion of total imports under these two items originating in GPT countries has, consequently, increased, though the GPT-country share is still less than 5 per cent.

The Board concludes that a reduction in GPT rates of duty of 10 and 12.5 percentage points respectively to Free would likely have an adverse impact on Canadian production. However, in view of the still very small share of the domestic market supplied by confectionery imports from GPT countries, the Board is reluctant to retain the present GPT rate. Therefore, the Board recommends a reduction in the GPT rate for tariff item 2300-1 to 5 p.c., and a reduction in the GPT rate for tariff item 14100-1 to 7.5 p.c., instead of to Free as proposed by the Minister.

Group II: Metals/Metal Products

Tariff Items 34815-1 and
34900-1

34815-1 Brass scrap and brass
in blocks, ingots or
pigs; copper in bars
or rods, not less
than six feet in
length, unmanufactur-
ed, n.o.p.; copper in
strips, sheets or
plates, not polished,
planished or coated;
brass or copper tub-
ing, in lengths not
less than six feet,

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
34815-1 and not polished, (cont.) bent or otherwise manufactured.....		4.8 p.c.	4.8 p.c.	3 p.c.	Free
Effective.....1/1/87		4 p.c.	4 p.c.	2.5 p.c.	Free
34900-1 Brass in bars and rods, in coil or otherwise, not less than six feet in length, and brass in strips, sheets or plates, not polish- ed, planished or coated.....		4.8 p.c.	4.8 p.c.	3 p.c.	Free
Effective.....1/1/87		4 p.c.	4 p.c.	2.5 p.c.	Free

Claimants:

1. Cambridge Brass
2. Noranda Metal Industries Limited
3. Stanley Works Limited, The, for 34815-1

Evidence before the Board shows that total Canadian imports under these two tariff items, mostly copper and brass plate, sheet and strip, and pipe and tubing, have been substantial and rising. However, imports of these goods from GPT countries under tariff item 34900-1 have been small and irregular, while those under item 34815-1 have declined relative to total imports under this item, and appear to have been practically non-existent in 1980. In the opinion of the Board there is, therefore, no evidence of an injurious impact from GPT imports at present, nor is it likely, in view of the low level of protection offered by the present GPT rate, that there will be an adverse impact resulting from the proposed reduction.

Consequently, the Board recommends that the GPT rates for both tariff items 34815-1 and 34900-1 be reduced to Free, as proposed by the Minister.

Tariff Item 34905-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
34905-1 Alloys of copper, n.o.p., containing 50 per cent or more by weight of copper, na- mely: sheets, plates, strips, bars, rods and tubes.....	4.8 p.c.	4.8 p.c.	3 p.c.	Free
Effective.....1/1/87	4 p.c.	4 p.c.	2.5 p.c.	Free

Claimants:

1. Non-Ferrous Founders' Society
2. Noranda Metal Industries Limited

Canada has traditionally been a major exporter of basic copper alloy products such as those covered by tariff item 34905-1. Since 1974, imports have, however, risen rapidly, and now are nearly equal to export sales, evidence of growing import competition. However, GPT imports are small and insignificant as a proportion of the Canadian market. It would appear that the extension of GPT benefits to these products in 1974 has had little effect on Canadian producers.

For these reasons, the Board concludes that a reduction in the GPT rate to Free would be unlikely to have an adverse impact on Canadian production, and, therefore, recommends that the Minister proceed with his proposal for tariff item 34905-1 to reduce the GPT rate to Free.

Tariff Item 35200-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
35200-1 Brass and copper nails, tacks, rivets and burrs or wash- ers; bells and gongs, n.o.p.; and manufac- tures of brass or copper, n.o.p.....	15.7 p.c.	15.7 p.c.	10 p.c.	Free

	<u>BP</u>	<u>MFN</u>	<u>GPT</u> <u>Current</u>	<u>Proposed</u>
Effective.....1/1/87	10.2 p.c.	10.2 p.c.	6.5 p.c.	Free

Claimants:

1. Acme Iron Division of Firescreens International Limited
2. Algood Casters Limited
3. Amerock Limited
4. Androck Inc.
5. Cambridge Brass
6. Canada Metal Company Limited, The
7. Canadian Hardware and Housewares Manufacturers Association
8. Canadian Water Quality Association
9. Cello Products Inc.
10. Coronet Housewares Inc.
11. Danfoss Mfg. Co. Ltd.
12. Emco Limited
13. Heating, Refrigerating and Air Conditioning Institute of Canada
14. Leigh Metal Products Ltd.
15. Lofthouse Brass Manufacturing Ltd.
16. Machinery and Equipment Manufacturers' Association of Canada
17. Mallory Hardware Products Limited
18. Non-Ferrous Founders' Society
19. Shepherd Products Ltd.
20. Stanley Works Limited, The
21. Streamline Copper & Brass Ltd.

Claimants (cont.)

22. Unican Security Systems Ltd.

23. Waltec Forgings Limited

24. Western Plumbing & Industrial Supplies Limited

25. Wolverine Brass Company Limited

Imports of manufactures of copper and brass have almost quadrupled during the 1970's, reaching nearly \$121 million in 1980. Imports of these goods from GPT suppliers, at some \$7 million in 1980, still account for a relatively small portion of total imports. However, this proportion has persistently increased. According to the Board's investigation, for most of the goods covered by this tariff item, GPT imports were non-existent or negligible, and therefore of no concern. GPT imports accounting for as high as 50 per cent of total imports of such goods under tariff item 35200-1, are concentrated in a small number of manufactures of brass and copper. Many of the claimants were concerned precisely with these products, and the Board concludes that their apprehension of an adverse impact resulting from the proposed reduction in the current GPT rate was real, particularly taking into consideration the extent of the reduction from 10 p.c. to Free.

The Board examined the possibility of establishing a separate tariff item to accommodate these manufactures of brass and copper, such as "builders' hardware n.e.s.", which, apparently, would be sensitive to the proposed reduction, in order to permit easier access for GPT suppliers for all those goods under tariff item 35200-1 where there appears to be no real threat of an adverse impact, but concluded that this was impractical.

The Board, therefore, recommends that there be no reduction in the current GPT rate for tariff item 35200-1.

Tariff Item 35215-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
35215-1 Screws of brass, copper or other metal, n.o.p.....	15.7 p.c.	15.7 p.c.	10 p.c.	Free
Effective.....1/1/87	10.2 p.c.	10.2 p.c.	6.5 p.c.	Free

Claimant:

1. Stanley Works Limited, The

The Board has come to the conclusion, on the basis of evidence before it, that GPT imports under this particular tariff item are currently low in absolute as well as in relative terms. However, with the installation of new modern machinery in developing countries, together with low labour costs in those countries, there exists a real threat of adverse impact from GPT imports. Moreover, the Board also notes that the Minister's proposal would mean a reduction from the current 10 p.c. to Free, a drop of significant magnitude.

Therefore, the Board recommends that the Minister's proposal of a reduction to Free not be implemented, and that, instead, the GPT rate for item 35215-1 be reduced to 6.5 p.c., the formula rate based on the MFN rate applicable in 1987.

Tariff Item 35405-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
35405-1 Kitchen or household hollow-ware of alu- minum, n.o.p.....	15 p.c.	15 p.c.	10 p.c.	Free
Effective.....1/1/87	10.2 p.c.	10.2 p.c.	6.5 p.c.	Free

Claimants:

1. Canadian Hardware and Housewares Manufacturers Association
2. Coronet Housewares Inc.
3. Soren Manufacturing Co. Limited
4. Supreme Aluminum Industries Limited
5. West Bend of Canada, Division of Dart

Industries Canada Limited

Counter-Claimant:

1. Government of the Republic of Korea

Evidence available to the Board indicates that, since 1974, Canadian producers of aluminum hollow-ware have increased their share of the domestic market. However, imports are still a major factor for the Canadian industry, supplying over a quarter of domestic demand.

GPT imports under tariff item 35405-1 are small, less than 7 per cent, compared to total imports under this item, and relative to total Canadian production, under 3 per cent. These imports have, however, grown very rapidly, trebling from 1971 to 1975 and nearly doubling during the ensuing four years. Hong Kong and the Republic of Korea are the main GPT suppliers.

The Board concludes that this high rate of growth in GPT imports, after the introduction of the GPT in 1974 at the formula rate of one-third off the MFN rate, indicates that there is a strong possibility that the further reduction from 10 p.c. to Free would have an adverse impact on Canadian producers.

The Board, therefore, recommends that there not be a reduction in the GPT rate for tariff item 35405-1.

Tariff Items 37900-1&2,
37905-1&2 and 37910-1&2

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
Bars or rods of iron or steel, hot-rolled, plain or deformed, namely: rounds, half-rounds, ovals, half-ovals, squares, round-cornered squares, hexagons, octagons or other multisided bars or rods; flats, 13/64 inch or more in thickness and eight inches or less in width:				
37900-1 Alloy.....	5 p.c.	10 p.c.	5 p.c.	Free
37900-2 Other.....	5 p.c.	10 p.c.	5 p.c.	Free
Effective.....1/1/87	5 p.c.	6.8 p.c.	4.5 p.c.	Free

			GPT	
	<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
Bars or rods of iron or steel, as described in tariff items 37900-1 and 37900-2, cold-rolled and cold-drawn:				
37905-1 Alloy.....	5 p.c.	12.5 p.c.	5 p.c.	Free
37905-2 Other.....	5 p.c.	12.5 p.c.	5 p.c.	Free
Effective.....1/1/87	5 p.c.	8 p.c.	5 p.c.	Free

Bars or rods of iron or steel, as described in tariff items 37900-1 and 37900-2, further processed than hot- or cold-rolled or cold-drawn, or otherwise processed:				
37910-1 Alloy.....	5 p.c.	12.5 p.c.	5 p.c.	Free
37910-2 Other.....	5 p.c.	12.5 p.c.	5 p.c.	Free
Effective.....1/1/87	5 p.c.	8 p.c.	5 p.c.	Free

Claimant:

1. Atlas Steels

It is apparent from available data that Canadian producers of bars and rods of iron and steel, other than of specialty steels, have attained a strong competitive position. Since 1974, they have realized a substantial increase in export sales and have raised their share of the domestic market as well. GPT imports of these products have, moreover, been small. Producers also did not claim that the proposed reduction in GPT rates for the tariff items being considered here would affect them adversely.

The situation is quite different for stainless and other specialty steel bars and rods, which enter Canada under items 37900-1,

37905-1 and 37910-1, "Alloy". Imports are supplying an increasing share of the Canadian market. Moreover, GPT imports, especially from Brazil, have risen sharply and are starting to have an adverse impact on Canadian production.

The Board, therefore, concludes that the proposed reduction in the present GPT rate for alloy bars and rods would have an adverse impact on domestic production of these goods.

It is the Board's recommendation, therefore, that for tariff items 37900-1, 37905-1 and 37910-1, there be no reduction in the GPT rate and that the current rate of 5 p.c. be maintained.

However, the Board is of the opinion that, as far as imports of bars and rods other than alloy are concerned, the proposed reduction in GPT rates is not likely to exert an adverse impact upon Canadian producers.

Therefore, the Board recommends, that the GPT rate for tariff items 37900-2, 37905-2 and 37910-2 be reduced to Free, as proposed.

Tariff Item 39000-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
39000-1 Castings, of iron or steel, in the rough, n.o.p.....	13.6 p.c.	13.6 p.c.	9 p.c.	Free
Effective.....1/1/87	9.2 p.c.	9.2 p.c.	6 p.c.	Free

Claimants:

1. Canadian Foundry Association
2. Cast Iron Soil Pipe Division of the Canadian Foundry Association
Bibby Foundry Limited
Titan/Associated Foundry Limited
3. Fittings (1980) Inc.
4. International Malleable Iron Co. Limited

Counter-Claimant:

1. Peelle Company, Limited, The

Total imports of rough castings of iron and steel entering under tariff item 39000-1 have risen rapidly since 1974 to \$39 million in 1980, increasing their share of the domestic market. GPT imports under this item, at less than 4 per cent, still small by comparison with total imports, have recently grown rapidly as well.

Most of the GPT imports under this item are coming from Portugal. Moreover, it seems that imports under item 39000-1 do not reveal the full extent of GPT imports of rough castings of iron and steel. Substantial quantities of these goods, from India, are entering under tariff item 44603-1 "Manufactures, articles or wares of iron and steel, n.o.p.". This item, with a GPT rate of 10 p.c., is not covered by this Reference, however. Should the GPT rate for item 39000-1 be reduced to Free, these GPT imports would probably enter under this item rather than under item 44603-1 to which the proposed extension would not apply.

In conclusion, there is sufficient evidence that a further reduction in the GPT rate, as proposed, would have an adverse impact on Canadian producers, and, therefore, the Board recommends that the Minister not implement his proposal to reduce the GPT rate for tariff item 39000-1 to Free.

Tariff Item 39600-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
39600-1 Pipes or tubes of cast iron, whether or not coated or lined.....	7.5 p.c.	12.5 p.c.	7.5 p.c.	Free
Effective.....1/1/87	7.5 p.c.	8 p.c.	5 p.c.	Free

Claimants:

1. Cast Iron Soil Pipe Division of the Canadian Foundry Association

Bibby Foundry Limited

Titan/Associated Foundry Limited

2. Fittings (1980) Inc.

The Board took note of the claimants' position regarding lack of growth of the domestic market, and the resulting excess capacity for cast iron pipes. However, the Board concludes that the slackening in domestic demand is not due to imports but to decreased construction activity and to competition from pipes made of substitute materials. Moreover, the domestic industry has succeeded in maintaining large markets abroad.

Although the domestic market has been stagnant in recent years, imports have continued to increase. Overall, though, import penetration is still low. Moreover, the increase in imports has been attributable almost fully to shipments from non-GPT countries. Imports from GPT countries, in contrast, have been highly sporadic in recent years and small in volume and value in absolute terms, as well as by comparison with total imports and the domestic market.

The Board, therefore, concludes that no adverse impact is to be expected from GPT imports should the proposed extension be implemented, and recommends that for tariff item 39600-1 the GPT rate be reduced to Free.

Tariff Items 40101-1&2,
40102-1&2 and 40103-1&2

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
Wire of iron or steel, single:				
Round, n.o.p.:				
40101-1 Alloy.....	2.5 p.c.	7.5 p.c.	2.5 p.c.	Free
Effective.....1/1/87	2.5 p.c.	6.5 p.c.	2.5 p.c.	Free
40101-2 Other.....	2.5 p.c.	7.5 p.c.	2.5 p.c.	Free
Effective.....1/1/87	2.5 p.c.	5.5 p.c.	2.5 p.c.	Free

Other than round, n.o.p.:				
40102-1 Alloy.....	5 p.c.	10 p.c.	5 p.c.	Free
Effective.....1/1/87	5 p.c.	7.8 p.c.	5 p.c.	Free

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
40102-2 Other.....	5 p.c.	10 p.c.	5 p.c.	Free
Effective.....1/1/87	5 p.c.	6.8 p.c.	4.5 p.c.	Free

Coated or covered with any material, n.o.p.:				
40103-1 Alloy.....	5 p.c.	10 p.c.	5 p.c.	Free
Effective.....1/1/87	5 p.c.	7.8 p.c.	4.5 p.c.	Free
40103-2 Other.....	5 p.c.	10 p.c.	5 p.c.	Free
Effective.....1/1/87	5 p.c.	6.8 p.c.	4.5 p.c.	Free

Claimants:

1. Amax Specialty Metals (Canada) Limited
2. Androck Inc., for 40101-1 and 40103-1
3. Atlas Steels, for 40101-1, and 40102-1
4. Central Wire Industries Ltd.
5. Greening Donald Co. Ltd.
6. Noma Industries Limited, for 40103-1

Of the single strand wire covered by these items, the Minister's proposal was of concern only to manufacturers of alloy wire, primarily stainless steel wire. Claiming companies maintained that lower GPT rates would affect Canadian producers adversely. This claim was based on producers' experience with GPT imports of wire rope. However, in view of virtually no GPT imports of stainless steel wire since 1974, the Board concludes that there is currently no real basis for the fears expressed by the claimants.

In contrast, no objections to the proposed reduction in GPT rates of duty were raised with respect to carbon steel wire covered by tariff items 40101-2, 40102-2 and 40103-2. GPT imports under these three

items, moreover, were small and insignificant in relation to domestic production.

The Board, therefore, recommends that for tariff items 40101-1&2, 40102-1&2 and 40103-1&2 the proposed GPT rates of Free be implemented.

The Board notes, however, that in the event that the reduction to Free should result in an increase of GPT imports deemed to be injurious, under Reference 158, Canadian manufacturers can petition the Board for safeguard action.

Tariff Item 43000-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
43000-1 Nuts and bolts with or without threads, washers, rivets, of iron or steel, coat- ed or not, n.o.p.; nut and bolt blanks, of iron and steel....	7.5 p.c.	17.5 p.c.	7.5 p.c.	Free

Claimants:

1. Androck Inc.
2. Canadian Fasteners Institute
3. Resource Industries Branch, Department of Industry, Trade & Commerce
4. Stanley Works Limited, The

Counter-Claimant:

1. Government of the Republic of Korea

The Board found that total imports have advanced sharply in recent years and currently account for about one-half of the domestic market. Moreover, shipments from GPT countries have risen nearly fivefold in value terms between 1975 and 1979, penetrating extensively specific segments of the domestic market. There is, in addition, ample evidence to indicate that existing capacity in most GPT countries supplying Canada

would permit further expansion of shipments. The Board, thus, concludes that, as claimed, such imports have already exerted an adverse impact upon Canadian producers, and tangible evidence exists of a likely intensification of such an impact should the GPT be extended as proposed.

The Board, therefore, recommends that the present GPT duty rate for tariff item 43000-1 remain unchanged.

Tariff Item 43030-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
43030-1 Railway spikes, of iron or steel, coated or not.....	15.7 p.c.	15.7 p.c.	10 p.c.	Free
Effective.....1/1/87	10.2 p.c.	10.2 p.c.	6.5 p.c.	Free

Claimant:

1. Canadian Fasteners Institute

Two Canadian producers of railway spikes supply almost the entire domestic market for this product, and also export a part of their output. Total imports have been very small, and GPT imports have been nil in most of the years of the past decade.

In addition, the Board notes that railway spikes could become obsolete over the next 10 years or so, due to the increasing use of concrete railway ties which require a different type of fastener.

The Board concludes, therefore, that it is unlikely that producers will experience an adverse impact from GPT imports of railway spikes as a result of the proposed reduction in the GPT rate of duty.

The Board, therefore, recommends that the GPT rate for tariff item 43030-1 be reduced to Free, as proposed.

Tariff Items 43110-1 and
43120-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
43110-1 Hoes, pronged forks, rakes, hand.....	13.6 p.c.	13.6 p.c.	9 p.c.	Free
Effective.....1/1/87	9.2 p.c.	9.2 p.c.	6 p.c.	Free
43120-1 Non-powered, hand- operated tools, im- plements or devices, namely: adzes, an- vils, vises, cleav- ers, hatchets, saws, augers, drills, screwdrivers, planes, spokeshaves, chisels, mallets, metal wedg- es, wrenches, sledg- es, hammers, crow- bars, cant-dogs, track tools, picks, mattocks, and eyes or polls for the same.....	10 p.c.	15 p.c.	10 p.c.	Free
Effective.....1/1/87	10 p.c.	11.3 p.c.	7.5 p.c.	Free

Claimants:

1. Canadian Hardware and Housewares Manufacturers Association
2. Elgin Handles Limited, for 43120-1
3. Garant Inc.
4. Gray Tool Company of Canada Ltd., The, for 43120-1
5. Sandvik Canada Corp., for 43120-1
6. Simonds Cutting Tools Division, Wallace Murray Canada Inc., 43120-1
7. Stanley Works Limited, The, for 43120-1

Claimants (cont.)

8. True Temper Canada Limited

Counter-Claimant:

1. Government of the Republic of Korea, for 43120-1

Analysis of confidential data supplied by Garant Inc., and True Temper Canada Limited, indicates that as much as 25 per cent of the Canadian market for hoes, forks and rakes is supplied by imports. This level of import penetration has changed little since 1975, as neither the value of domestic production nor the value of imports has increased greatly during this period.

Total imports under tariff item 43110-1 averaged just over \$1 million per annum over the 1978-79 period. GPT imports, practically absent prior to 1974, the year in which the GPT was introduced, peaked in 1978 at \$96,000. This was equivalent to 7.5 per cent of total imports under item 43110-1 in that year, and to about 2 per cent of the Canadian market. GPT imports declined to \$39,000 in 1979 and to one thousand dollars in 1980. The Republic of Korea was the major supplier.

The Board concludes that GPT imports have not affected Canadian production adversely to date, and that there is no real evidence for this to occur as a result of the proposed reduction in the current GPT rate to Free. The Board notes that, in the event GPT imports rise to such a level as to threaten or cause injury, Canadian producers can petition the Board for withdrawal of the GPT.

Therefore, the Board recommends that the GPT rate for tariff item 43110-1 be reduced to Free as proposed by the Minister.

The Canadian market for hand tools has more than tripled during the 1970's. Imports increased somewhat more rapidly and thus raised their share of the domestic market to about 35 per cent. Canadian manufacturers, however, compensated for the higher level of import penetration by exporting a higher proportion of their output; they export close to 25 per cent of total sales.

Total imports under tariff item 43120-1 rose from \$30.1 million in 1974 to more than \$63 million in 1980. GPT imports under this item doubled between 1975 and 1978, and doubled again by 1980. Even though GPT imports were still less than 5 per cent of total imports under this tariff item, the very rapid growth in such imports since the introduction of the GPT constitutes, in the Board's opinion, evidence that a further reduction in the GPT rate as proposed by the Minister would likely affect Canadian producers adversely, as was their claim.

Therefore, the Board recommends that there be no reduction in the current GPT rate of 10 p.c. for tariff item 43120-1.

Group II: Textile Products

Tariff Items 53240-1, 55910-1,
56225-1, 56605-1 and 57210-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
53240-1 Woven fabrics, composed wholly of wool and cotton blended yarns with not less than 15 p.c., by weight, of wool, weighing not more than four and one half ounces to the square yard, and with a minimum of 70 warp threads and 70 weft threads to the square inch; the foregoing for use in the manufacture of men's and boys' shirts.....	5 p.c.	5 p.c.	3 p.c.	Free
but not more than per pound	60 cts.	60 cts.	40 cts.	
Effective.....1/1/87	Free	Free	Free	Free
55910-1 Waste portions of unused fabrics, n.o.p., not to include remnants or mill ends...	5 p.c.	5 p.c.	3 p.c.	Free
Effective.....1/1/87	Free	Free	Free	Free
56225-1 Woven fabrics, wholly or in part of silk or of man-made fibres or filaments, imported				

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
56225-1 in lengths of not (cont.) less than five yards, by manufacturers of neckties, for use in the manufacture of neckties, or matching necktie and pocket puff sets, but not including such fab- rics for use as interlining.....	10 p.c.	10 p.c.	6.5 p.c.	Free
56605-1 Fabrics, containing figured designs, woven in widths not exceeding twelve in- ches, lace, embroi- deries, emblems and medallions, for use in the manufacture of church vestments.....	10 p.c.	10 p.c.	6.5 p.c.	Free
Effective.....1/1/87	Free	Free	Free	Free
57210-1 Oriental rugs or car- pets with pile hooked or knotted by hand... and, per square foot	10 p.c.	10 p.c. 5 cts.	6.5 p.c. 3.3 cts.	Free
The total duty levi- able shall not be in excess of.....			10 p.c.	
Effective.....1/1/87	10 p.c.	10 p.c.	6.5 p.c.	

The Minister proposed that the GPT be reduced to Free for tariff items 53240-1, 55910-1, 56225-1, 56605-1, and 57210-1. The Canadian Textiles Institute supported this proposal. Not having received any submissions to the contrary, the Board recommends that the GPT extension for tariff items named here be implemented as proposed.

Tariff Item 55302-1

			GPT	
	<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
The following, when the textile component thereof is more than fifty per cent, by weight, of silk:				
55302-1 Headsquares, scarves or mufflers, made from woven fabrics...	15.7 p.c.	20 p.c.	10 p.c.	Free
Effective.....1/1/87	12.5 p.c.	12.5 p.c.	10 p.c.	Free

Claimant:

1. Canadian Apparel Manufacturers Institute

Counter-Claimants:

1. Canadian Textiles Institute
Satexil Inc.
2. Government of the Republic of Korea

The Canadian Textiles Institute supported the GPT extension proposed by the Minister. However, the Canadian Apparel Manufacturers Institute claimed that the extension, if implemented, would adversely affect Canadian producers of goods which, when imported, enter Canada under tariff item 55302-1. In particular, though, the Canadian Apparel Manufacturers Association objected: "... to the improvement of GPT benefits for newly industrialized countries such as: the Republic of Korea, Hong Kong, Singapore, Brazil, Mexico, Venezuela and other OPEC members, the Mediterranean self-declared developing countries, or to any state trading countries, particularly (the People's Republic of) China. The Institute considers that the reduced rates should, in principle, be only extended to true developing countries ...".

Analysis of data before the Board disclosed that the level of GPT imports is low and, moreover, that in recent years such shipments have declined. However, even at the existing level, import penetration of the domestic market is already very extensive under the existing rate of GPT duty of 10 p.c. The penetration can be expected to deepen still further should this rate be dropped to Free as proposed.

Therefore, the Board recommends that the GPT not be extended for tariff item 55302-1.

Group II: Miscellaneous Products

Tariff Item 44535-1

	<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
			<u>Current</u>	<u>Proposed</u>
44535-1 Phonographs and parts thereof, n.o.p.....	10 p.c.	11.3 p.c.	7.5 p.c.	Free
Effective.....1/1/87	Free	Free	Free	Free

Claimant:

1. Califone Industries Ltd.

Counter-Claimant:

1. Government of the Republic of Korea

The Board notes that all tariff rates for this tariff item are due to become Free by 1987, and that the claimant only requested that existing GPT rate be maintained until then. The sole question, thus, is whether the GPT rate should be temporarily maintained.

While GPT imports had previously been small, they multiplied suddenly and rapidly late in 1980, even with the existing GPT rate of duty of 7.5 p.c.

Accordingly, the Board concludes that a short-term adverse impact from GPT imports has materialized and its intensification can be expected. Therefore, the Board recommends that GPT extension not be granted for tariff item 44535-1.

SUMMARY OF RECOMMENDATIONS

TARIFF ITEMS FOR WHICH THE BOARD RECEIVED CLAIMS

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group I: Food Products</u>				
6500-1 Biscuits, not sweetened.....	7.5 p.c.	7.5 p.c.	-	5 p.c.
6600-1 Biscuits, sweetened...	7.5 p.c.	7.5 p.c.	-	5 p.c.
6605-1 Biscuits, sweetened or unsweetened, valued at not less than 20 cents per pound, said value to be based on the net weight and to include the value of the usual retail package.....	Free	7.5 p.c.	-	No Extension
<u>Group I: Fisheries Products</u>				
Sardines, sprats or pil- chards, packed in oil or otherwise, in sealed tin containers, the weight of the tin container to be included in the weight for duty:				
11901-1 When weighing over twenty ounces and not over thirty-six ounces each...per box	1.63 cts.	1.63 cts.	-	Free

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
11902-1 When weighing over twelve ounces and not over twenty ounces each.....per box	1.38 cts.	1.38 cts.	-	Free
11903-1 When weighing over eight ounces and not over twelve ounces each.....per box	0.92 ct.	0.92 ct.	-	Free
11904-1 When weighing eight ounces each or lessper box	0.69 ct.	0.69 ct.	-	0.46 ct.

12100-1 Fish preserved in oil, n.o.p.....	15 p.c.	15 p.c.	-	10 p.c.
<u>New Tariff Item:</u>				
12105-1 Tuna (including boni- to), preserved in sealed containers, n.o.p.....	13.9 p.c.	13.9 p.c.	-	No Extension

Fish, prepared or preserved n.o.p.:				
12303-1 All other fish, n.o.p	11 p.c.	11 p.c.	-	7 p.c.

12405-1 Shellfish, prepared or preserved, n.o.p.....	9.8 p.c.	9.8 p.c.	-	6.5 p.c.
12505-1 Oysters, prepared or preserved; oysters in the shell.....	6.9 p.c.	6.9 p.c.	-	Free

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
12505-2 Oysters, smoked, whether or not in cans or other air-tight containers.....	6.4 p.c.	6.4 p.c.	-	Free
12600-1 Clams in sealed containers.....	10 p.c.	10 p.c.	-	6.5 p.c.
12700-1 Crustaceans, fresh, n.o.p.; crustaceans, prepared or preserved, n.o.p.....	8 p.c.	8 p.c.	-	5 p.c.
12805-1 Lobsters, prepared or preserved.....	9.8 p.c.	9.8 p.c.	-	6.5 p.c.
13300-1 All other articles the produce of the fisheries, n.o.p.....	7.3 p.c.	7.3 p.c.	-	4.5 p.c.

Fish caught by fishermen in vessels registered in Canada or owned by any person domiciled in Canada, and the products thereof carried from the fisheries in such vessels, shall be admitted into Canada free of duty. The Minister may make such regulations, if any, as are deemed necessary for carrying out the provisions of this section.....

(See Section 9 of the Customs Tariff)

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
66335-1 Fish meal.....	Free	8.8 p.c.	-	Free
<u>Group I: Textile Products</u>				
Woven fabrics, wholly of cotton:				
52205-1 With cut pile.....	10 p.c.	20 p.c.	-	10 p.c., (with a Tariff Rate Quota of 2.3 mil- lion pounds p.a. for coloured cot- ton corduroys and of 1 million pounds p.a. for cotton broadwoven pile fa- brics)
53010-1 Slivers, wholly or in parts of wool, not containing man-made fibres or glass fibres.....per pound	Free	5 cts.	-	Free
53205-1 Woven fabrics composed wholly or in part of yarns of wool or hair, n.o.p.....	18 p.c.	25 p.c.	-	16.5 p.c.
and, per pound	18 cts.	25 cts.	-	16.7 cts.
The total duty levi- able shall not be in excess of...per pound	60 cts.	-	-	60 cts.
Woven fabrics, composed of yarns spun on the woollen system, containing not less than 50 p.c. by weight of virgin wool or hair and not containing more than one				

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
generic type of man-made fibre, or containing not less than 40 p.c. by weight of virgin wool or hair and not containing any man-made fibres, for use in the manufacture of men's and boys' suits, vests, sport coats and blazers, dress slacks and fine tailored topcoats other than car coats and duffle coats:				
53245-1 Weighing not more than 9 ounces to the square yard in accordance with standard test methods described in ASTM D1776-74, and valued at not less than \$5 per square yard.....	5.5 p.c.	5.5 p.c.	-	No Extension
(Temporary Tariff Item)				
53246-1 Weighing more than 9 ounces to the square yard but less than 12 ounces to the square yard in accordance with standard test methods described in ASTM D1776-74, and valued at not less than \$6.60 per square yard.....	6.5 p.c.	6.5 p.c.	-	No Extension
(Temporary Tariff Item)				
53247-1 Weighing not less than 12 ounces to the				

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
53247-1 square yard in accordance with standard test methods described in ASTM D1776-74, and valued at not less than \$7.90 per square yard.....	7.5 p.c.	7.5 p.c.	-	No Extension
(Temporary Tariff Item)				

53210-1 Woven fabrics composed wholly or in part of yarns of wool or hair and weighing not less than twelve ounces to the square yard.....	18 p.c.	25 p.c.	-	16.5 p.c.
and, per pound	13.5 cts.	25 cts.	-	16.7 cts.
The total duty leviable shall not be in excess of per pound..	55 cts.	-	-	55 cts.
56005-1 Man-made fibres not exceeding twelve inches in length.....	5 p.c.	10 p.c.	-	5 p.c.
56010-1 Sliver, wholly or in part of man-made fibres.....	5 p.c.	10 p.c.	-	5 p.c.
56105-1 Yarns and rovings, wholly of man-made fibres or filaments, not more advanced than singles, not coloured, with not more than seven turns to the inch.....	18 p.c.	10 p.c.	-	6.5 p.c.
and, per pound	-	10 cts.	-	6.67 cts.

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
56105-1 The total duty levi- (cont.) able shall not be in excess of.....	-	-		18 p.c.
56110-1 Yarns and rovings, wholly or in part of man-made fibres or filaments, including threads, cords or twines, not contain- ing wool or hair.....	20.2 p.c.	10 p.c.	-	6.5 p.c.
and, per pound	-	10 cts.	-	6.67 cts. (with a Tariff Rate Quota of 0.8 mil- lion pounds p.a. for polyester/ cot- ton blended yarns)
The total duty levi- able shall not be in excess of.....	-	-	-	20.2 p.c.
56210-1 Woven fabrics with cut pile, wholly or in part of man-made fibres or filaments or of glass fibres or filaments, not containing wool or hair.....	20 p.c.	25 p.c.	-	16.5 p.c.
56230-1 Woven cord tire fa- bric, wholly or in chief part, by weight, of man-made fibres or filaments, not to contain silk or wool, for use in				

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
56230-1 the manufacture of (cont.) pneumatic tires, n.o.p.....	7.5 p.c.	12.5 p.c.	-	7.5 p.c.
Lace and netting, other than woven, bobbinet, embroi- deries, n.o.p.:				
56610-1 Wholly of vegetable fibres.....	10 p.c.	12.5 p.c.	-	8 p.c.
56611-1 Wholly or in part of other textile fibres or filaments.....	17.5 p.c.	20 p.c.	-	No Extension

Group II: Food Products

2300-1 Preparations of cocoa or chocolate, n.o.p., and confectionery coated with or con- taining chocolate....	10 p.c.	14.4 p.c.	10 p.c.	5 p.c.
14100-1 Sugar candy and con- fectionery, n.o.p., including sweetened gums, candied pop- corn, candied nuts, flavouring powders, custard powders, jel- ly powders, sweet- meats, sweetened breads, cakes, pies, puddings and all other confections containing sugar.....	12.5 p.c.	18.8 p.c.	12.5 p.c.	7.5 p.c.

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group II: Metals/Metal Products</u>				
34815-1 Brass scrap and brass in blocks, ingots or pigs; copper in bars or rods, not less than six feet in length, unmanufac- tured, n.o.p.; cop- per in strips, sheets or plates, not pol- ished, planished or coated; brass or copper tubing, in lengths not less than six feet, and not polished, bent or otherwise manu- factured.....	4.8 p.c.	4.8 p.c.	3 p.c.	Free
34900-1 Brass in bars and rods, in coil or otherwise, not less than six feet in length, and brass in strips, sheets or plates, not polish- ed, planished or coated.....	4.8 p.c.	4.8 p.c.	3 p.c.	Free
34905-1 Alloys of copper, n.o.p., containing 50 per cent or more by weight of copper, namely: sheets, plates, strips, bars, rods and tubes.....	4.8 p.c.	4.8 p.c.	3 p.c.	Free
35200-1 Brass and copper nails, tacks, rivets and burrs or washers; bells and gongs,				

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
35200-1 n.o.p.; and manufac- (cont.) tures of brass or copper, n.o.p.....	15.7 p.c.	15.7 p.c.	10 p.c.	No Change
35215-1 Screws of brass, copper or other metal, n.o.p.....	15.7 p.c.	15.7 p.c.	10 p.c.	6.5 p.c.
35405-1 Kitchen or household hollow-ware of alu- minum, n.o.p.....	15 p.c.	15 p.c.	10 p.c.	No Change
Bars or rods of iron or steel, hot-rolled, plain or deformed, namely: rounds, half-rounds, ovals, half- ovals, squares, round- cornered squares, hexagons, octagons or other multi- sided bars or rods; flats, 13/64 inch or more in thickness and eight inches or less in width:				
37900-1 Alloy.....	5 p.c.	10 p.c.	5 p.c.	No Change
37900-2 Other.....	5 p.c.	10 p.c.	5 p.c.	Free
Bars or rods of iron or steel, as described in tariff items 37900-1 and 37900-2, cold-rolled and cold-drawn:				
37905-1 Alloy.....	5 p.c.	12.5 p.c.	5 p.c.	No Change
37905-2 Other.....	5 p.c.	12.5 p.c.	5 p.c.	Free
Bars or rods of iron or steel, as described in tariff items 37900-1 and 37900-2, further processed				

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
than hot- or cold-rolled or cold-drawn, or other- wise processed:				
37910-1 Alloy.....	5 p.c.	12.5 p.c.	5 p.c.	No Change
37910-2 Other.....	5 p.c.	12.5 p.c.	5 p.c.	Free

39000-1 Castings, of iron or steel, in the rough, n.o.p.....	13.6 p.c.	13.6 p.c.	9 p.c.	No Change
39600-1 Pipes or tubes of cast iron, whether or not coated or lined.....	7.5 p.c.	12.5 p.c.	7.5 p.c.	Free
Wire of iron or steel, single:				
Round, n.o.p.:				
40101-1 Alloy.....	2.5 p.c.	7.5 p.c.	2.5 p.c.	Free
40101-2 Other.....	2.5 p.c.	7.5 p.c.	2.5 p.c.	Free
Other than round, n.o.p.:				
40102-1 Alloy.....	5 p.c.	10 p.c.	5 p.c.	Free
40102-2 Other.....	5 p.c.	10 p.c.	5 p.c.	Free
Coated or covered with any material, n.o.p.:				
40103-1 Alloy.....	5 p.c.	10 p.c.	5 p.c.	Free
40103-2 Other.....	5 p.c.	10 p.c.	5 p.c.	Free

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
43000-1 Nuts and bolts with or without threads, washers, rivets, of iron or steel, coat- ed or not, n.o.p.; nut and bolt blanks, of iron and steel....	7.5 p.c.	17.5 p.c.	7.5 p.c.	No Change
43030-1 Railway spikes, of iron or steel, coat- ed or not.....	15.7 p.c.	15.7 p.c.	10 p.c.	Free
43110-1 Hoes, pronged forks, rakes, hand.....	13.6 p.c.	13.6 p.c.	9 p.c.	Free
43120-1 Non-powered, hand- operated tools, im- plements or devices, namely: adzes, an- vils, vises, cleav- ers, hatchets, saws, augers, drills, screwdrivers, planes, spokeshaves, chisels, mallets, metal wedg- es, wrenches, sledg- es, hammers, crow- bars, cant-dogs, track tools, picks, mattocks, and eyes or polls for the same.....	10 p.c.	15 p.c.	10 p.c.	No Change

Group II: Textile Products

53240-1 Woven fabrics, com-
posed wholly of wool
and cotton blended
yarns with not less
than 15 p.c., by
weight, of wool,

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
53240-1 weighing not more (cont.) than four and one half ounces to the square yard, and with a minimum of 70 warp threads and 70 weft threads to the square inch; the foregoing for use in the manufacture of men's and boys' shirts.....	5 p.c.	5 p.c.	3 p.c.	Free
but not more than per pound	60 cts.	60 cts.	40 cts.	
55910-1 Waste portions of un- used fabrics, n.o.p., not to include rem- nants or mill ends...	5 p.c.	5 p.c.	3 p.c.	Free
56225-1 Woven fabrics, wholly or in part of silk or of man-made fibres or filaments, imported in lengths of not less than five yards, by manufacturers of neckties, for use in the manufacture of neckties, or match- ing necktie and poc- ket puff sets, but not including such fabrics for use as interlining.....	10 p.c.	10 p.c.	6.5 p.c.	Free
56605-1 Fabrics, containing figured designs, woven in widths not exceeding twelve in- ches, lace, embroi-				

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
56605-1 deries, emblems and (cont.) medallions, for use in the manufacture of church vestments..	10 p.c.	10 p.c.	6.5 p.c.	Free

The following, when the
textile component thereof
is more than fifty per
cent, by weight, of silk:

55302-1 Headsquares, scarves or mufflers, made from woven fabrics...	15.7 p.c.	20 p.c.	10 p.c.	No Change
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57210-1 Oriental rugs or car- pets with pile hooked or knotted by hand... and, per square foot	10 p.c.	10 p.c. 5 cts.	6.5 p.c. 3.3 cts.	Free
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The total duty levi-
able shall not be in
excess of.....
10 p.c.

Group II: Miscellaneous Products

44535-1 Phonographs and parts thereof, n.o.p.....	10 p.c.	11.3 p.c.	7.5 p.c.	No Change
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TARIFF ITEMS FOR WHICH THE BOARD DID NOT RECEIVE ANY CLAIMS

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group I: Food Products</u>				
805-1 Canned pork.....	15 p.c.	15 p.c.	-	10 p.c.
915-1 Turkey poults, baby ducklings and baby goslings.....	12.5 p.c.	12.5 p.c.	-	Free
2605-1 Imitations of and sub- stitutes for roasted or ground coffee, including acorn nutsper pound	3 cts.	4.5 cts.	-	Free
3910-1 Starch, and all pre- parations having the quality of starch, n.o.p.....per pound	1 ct.	1 ct.	-	0.67 ct.
When in packages weighing two pounds each, or less, the weight of such pack- ages to be included in the weight for duty.				

4505-1 Prepared cereal foods, in packages not ex- ceeding twenty-five pounds weight each...	10 p.c.	10 p.c.	-	6.5 p.c.
4600-1 Prepared cereal foods, n.o.p.....	7.5 p.c.	7.5 p.c.	-	5 p.c.
6610-1 Pretzels.....	Free	7.5 p.c.	-	Free

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
Feeds, n.o.p., for animals and poultry, and ingredi- ents for use therein, n.o.p.:				
6928-1 Mixed feeds, and mixed-feed ingredi- ents.....	5 p.c	5 p.c.	-	3 p.c.

71110-1 Prepared foods, whe- ther canned or not, for cats and dogs....	6 p.c	6 p.c	-	4 p.c.
<u>Group I: Fisheries Products</u>				
66340-1 Oyster shells, not further manufactured than crushed or screened, or both, for use as poultry feeds or in the manufacture of poul- try feeds.....	3.8 p.c.	3.8 p.c.	-	Free
<u>Group I: Metals/Metal Products</u>				
Aluminum and alloys thereof:				
35301-1 Pigs, ingots, blocks, notch bars, slabs, billets, blooms, and wire bars...per pound	Free	0.8 ct.	-	Free

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group I: Miscellaneous Products</u>				
Gums, namely:				
25403-1 Australian and kauri; ambergris.....	Free	7.5 p.c.	-	Free
<u>Group II: Food Products</u>				
1300-1 Lard and animal stearine of all kinds, n.o.p.....per pound	1 ct.	1 ct.	0.5 ct.	Free
1400-1 Tallow.....	Free	4 p.c.	5 p.c.	Free
2505-1 Coffee, extract of, n.o.p., and substitutes thereof of all kinds.....per pound	5 cts.	7 cts.	3 cts.	Free
3200-1 Nutmegs and mace, whole or unground....	Free	9.4 p.c.	5 p.c.	Free
3300-1 Nutmegs and mace, ground.....	5 p.c.	10.6 p.c.	5 p.c.	Free
3400-1 Mustard, ground.....	6.9 p.c.	6.9 p.c.	5 p.c.	Free
11400-2 Nuts of all kinds, processed or prepared in any manner, n.o.p., including roasted, fried, boiled, ground, salted, seasoned or otherwise flavoured; nuts pickled or preserved in salt, brine, oil or in any other manner, n.o.p.....	10 p.c.	10 p.c.	7.5 p.c.	Free

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group II: Metals/Metal Products</u>				
33900-1 Lead, manufactures of, n.o.p.....	15.7 p.c.	15.7 p.c.	10 p.c.	Free
33910-1 Collapsible tubes of lead or tin or lead coated with tin.....	10 p.c.	15.7 p.c.	10 p.c.	Free
34907-1 Copper beryllium alloys, namely: in- gots, sheets, plates, strips, bars, rods, tubes and wire.....	4.8 p.c.	4.8 p.c.	3 p.c.	Free
34910-1 Alloys of magnesium, namely: ingots, pigs, sheets, plates, strips, bars, rods and tubes.....	4.8 p.c.	4.8 p.c.	3 p.c.	Free
35200-2 Copper or copper alloy angles, shapes and sections, pipes and tubes and blanks therefor, n.o.p.....	14.1 p.c.	14.1 p.c.	9 p.c.	Free
35700-1 Britannia metal, nic- kel silver, Nevada and German silver, manufactures of, not plated, n.o.p.....	15 p.c.	15.7 p.c.	10 p.c.	Free
36505-1 Findings of metal, not plated or coated, including stampings, trimmings, spring- rings, bolt-rings, clasps, snaps, swi- vels, vest chain				

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
36505-1 bars, joints, catches, (cont.) pin tongues, buckle tongues, coil pins, clip actions, settings and eye-pins, when imported by manufacturers of jewellery or ornaments for the adornment of the person, for use exclusively in the manufacture of such articles, in their own factories..	11.4 p.c.	11.4 p.c.	7.5 p.c.	Free
Plate of iron or steel, flanged or dished:				
38105-1 Alloy.....	5 p.c.	15 p.c.	5 p.c.	Free
38105-2 Other.....	5 p.c.	15 p.c.	5 p.c.	Free
Railway rails of iron or steel, of any weight, or for any purpose, punched, drilled, or not:				
38700-1 Alloy.....	5 p.c.	10 p.c.	5 p.c.	Free
38700-2 Other.....	5 p.c.	10 p.c.	5 p.c.	Free
41245-1 Printing plates including rolls and cylinders, n.o.p.; exposed positive or negative films and				

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
41245-1 reproduction proofs, (cont.) for such printing plates.....	10 p.c.	13.6 p.c.	9 p.c.	Free
44100-1 Guns, rifles, includ- ing air guns and air rifles not being toys; cannons, pis- tols, revolvers, or other firearms, n.o.p.; cartridge cases, cartridges, primers, percussion caps, wads or other ammunition, n.o.p.; bayonets, swords, fencing foils and masks; gun or pistol covers or cases, game bags, loading tools and cartridge belts of any material.....	10 p.c.	17.8 p.c.	10 p.c.	Free

Group II: Textile Products

52010-1 Cotton fibres, n.o.p., and carded sliver, wholly of cotton.....	5 p.c.	5 p.c.	3 p.c.	Free
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Group II: Miscellaneous Products

19710-2 Wrapping paper, un- bleached, not pasted or coated, in rolls, not cut to size or shape.....	11.3 p.c.	11.3 p.c.	7.5 p.c.	Free
32609-1 Opal glassware, n.o.p.	10 p.c.	15 p.c.	10 p.c.	Free


	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
41410-1 Dictating, transcribing and cylinder shaving machines, and cylinders, discs, dictating belts and unfinished wax blanks for use therewith; parts of the foregoing.....	9.4 p.c.	9.4 p.c.	6 p.c.	Free
41430-1 Cash registers.....	15 p.c.	15 p.c.	10 p.c.	Free
41435-1 Complete parts of cash registers, when imported by manufacturers of cash registers for use in the manufacture of such registers in their own factories..	7.5 p.c.	7.5 p.c.	5 p.c.	Free
44100-2 Shot shell loaders....	10 p.c.	15 p.c.	10 p.c.	Free
44335-1 Timers for radios and parts thereof.....	13.1 p.c.	13.1 p.c.	8.5 p.c.	Free
44502-2 Portable electric flashlights designed for self-contained electrical source; complete parts therefor.....	15 p.c.	15 p.c.	10 p.c.	Free
44534-1 Radio or television receiving sets incorporating a record playing device.....	10 p.c.	11.3 p.c.	7.5 p.c.	Free

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Récom- mendation</u>
Manufactures of wood, n.o.p.:				
50600-6 Rough blanks or blocks of wood, not edge- glued nor otherwise manufactured.....	11.3 p.c.	11.3 p.c.	7.5 p.c.	Free

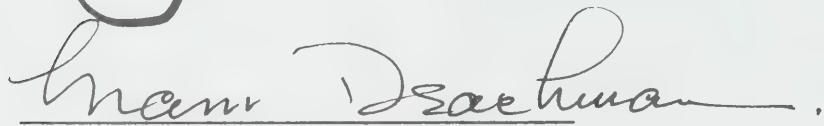
53020-1 Hair, curled or dyed, n.o.p.....	7.5 p.c.	7.5 p.c.	5 p.c.	Free
62000-1 Tinsel wire when im- ported by manufactu- rers of braids, cords, tassels, rib- bons or trimmings, for use only in the manufacture of such articles in their own factories.....	5 p.c.	5.6 p.c.	3.5 p.c.	Free
65605-2 Meerscham pipes, not including those com- posed in part of briar wood.....	13.1 p.c.	13.1 p.c.	8.5 p.c.	Free

The Board's recommendations for extension of GPT benefits apply to all countries eligible for such preferential tariff treatment. In no instance is it recommended that the additional GPT benefits be extended to some countries and not to others, because such country-specific action has so far not been the practice.

However, the Board recommends that the review of the present GPT system, related to its expiry in 1984, give serious consideration to the introduction of a mechanism which would redistribute GPT benefits to those less developed countries most in need of such benefits.



Chairman



First Vice-Chairman



Member



Member



Member



Member

March 27, 1981

APPENDIX I

LIST OF COUNTRIES ENTITLED TO
GENERAL PREFERENTIAL TARIFF TREATMENT

Afghanistan	Dominica
Algeria	Dominican Republic
American Samoa	Ecuador
Angola	Egypt
Antigua	El Salvador
Argentina	Equatorial Guinea
Ascension	Ethiopia
Bahamas	Falkland Islands
Bahrain	Fiji
Bangladesh	French Polynesia
Barbados	French Southern and Antarctic Territories
Belize	French Territory of the Afars and the Issas
Bermuda	Gabon
Bhutan	Gambia
Bolivia	Ghana
Botswana	Gibraltar
Brazil	Gilbert and Ellice Islands (now Kiribati and Tuvalu)
British Indian Ocean Territory	Greece
British Virgin Islands	Grenada
Brunei	Guam
Bulgaria	Guatemala
Burma	Guinea
Burundi	Guinea-Bissau
Cameroon	Guyana
Cape Verde Islands	Haiti
Caroline Islands	Honduras
Cayman Islands	Hong Kong
Central African Republic	India
Chad	Indonesia
Chile	Iran
China, People's Republic of	Iraq
Christmas Island	Israel
Cocos Islands	Ivory Coast
Colombia	Jamaica
Comoro Archipelago	Jordan
Congo	Kenya
Cook Islands	Khmer Republic
Costa Rica	Korea, Republic of
Cuba	
Cyprus	
Dahomey	

Kuwait
Laos
Lebanon
Lesotho
Liberia
Madagascar
Malawi
Malaysia
Maldives
Mali
Malta
Mariana Islands
Marshall Islands
Mauritania
Mauritius
Mexico
Montserrat
Morocco
Mozambique
Nauru
Nepal
Netherlands Antilles
New Caledonia and dependencies
Nicaragua
Niger
Nigeria
Niue
Norfolk Island
Pakistan
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Pitcairn
Portugal
Portuguese Adjacent Islands
Portuguese Overseas Provinces
Qatar
Romania
Rwanda
St. Christopher-Nevis-Anguilla

St. Helena
St. Lucia
St. Vincent
Sao Tomé and Príncipe
Senegal
Seychelles
Sierra Leone
Singapore
Solomon Islands
Somalia
Spanish North Africa
Sri Lanka
Sudan
Surinam
Swaziland
Syria
Tanzania
Thailand
Togo
Tokelau Islands
Tonga
Trinidad and Tobago
Tristan da Cunha
Tunisia
Turkey
Turks and Caicos Islands
Uganda
United Arab Emirates
Upper Volta
Uruguay
Venezuela
Vietnam, Republic of
Virgin Islands of the
United States
Western Samoa
Yemen Arab Republic
Yemen, People's Democratic
Republic
Yugoslavia
Zaire
Zambia
Zimbabwe

APPENDIX II

NOTICE OF PUBLIC HEARINGS

TARIFF BOARD REFERENCE NO. 158 -
RELATING TO THE GENERAL PREFERENTIAL TARIFF

The Tariff Board announces that it will hold regional public hearings in Halifax, Vancouver and Ottawa for the purpose of inquiring into the expected impact on Canadian production of including certain additional goods under the General Preferential Tariff (GPT) and of reducing the rate of duty of certain other goods already under the GPT to free, as follows:

on Thursday, December 18, 1980, commencing at 10:00 a.m., AST, in the Baronet Room of the Chateau Halifax in the City of Halifax, Nova Scotia;

on Wednesday, January 7, 1981, commencing at 10:00 a.m., PST, in the Canadian Citizenship Court, 1075 Georgia St., in the City of Vancouver, British Columbia; and

on Wednesday, January 14, 1981, commencing at 10:00 a.m., EST, in the Board's courtroom at 365 Laurier Avenue West, Ottawa, Ontario.

These public hearings will deal only with the tariff items listed in Annex A of the Minister's letter of reference (see Notice R-200 and R-201, Canada Gazette dated August 9 and 30, 1980, for complete list). Public hearings for tariff items in Annex B will be announced at a later date.

Canadian producers intending to present a submission claiming adverse impact resulting from the proposed GPT changes, are urged to contact the Board in order to obtain a questionnaire designed for this purpose. Submissions, in at least 50 copies, should be in the Board's hands no later than Wednesday, November 26th, 1980.

Furthermore, interested parties are requested to inform the Board which hearing(s) they expect to attend, whether they intend to present a brief and at which hearing they intend to do so.

For further information write to W.L. Posthumus, Director of
Inquiries, Tariff Board, Ottawa, K1A 0G7, or telephone (613) 996-8541,
Ext. 20.

J.E. Lafrance,

Secretary

Ottawa, Ontario
October 10, 1980

NOTICE R-205

NOTICE OF PUBLIC HEARINGS

TARIFF BOARD

REFERENCES 158 and 159

HALIFAX HEARINGS

The Tariff Board announces that the hearing on Reference 159 previously scheduled to begin at 10:00 a.m., A.S.T., on Tuesday, December 16, 1980 and to continue on Wednesday, December 17th, will now commence at 10:00 a.m. A.S.T. on Thursday, December 18, 1980, in the Baronet Room of the Chateau Halifax or at such other place in the City of Halifax, Nova Scotia as may hereafter be announced by the Board.

The hearing on Reference 158, previously scheduled for 10:00 a.m. on Thursday, December 18, 1980, will take place immediately following the conclusion of the hearing on Reference 159, but WILL NOT COMMENCE BEFORE 2:00 p.m., A.S.T. on Thursday, December 18, 1980.

J.E. Lafrance
Secretary

Ottawa, Ontario
November 26, 1980

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pt. 2



REFERENCE 158
RELATING TO
THE GENERAL PREFERENTIAL TARIFF
PART II



REFERENCE
158

A REVIEW BY
THE TARIFF BOARD

REFERENCE 158

**RELATING TO
THE GENERAL PREFERENTIAL TARIFF
PART II**

This report, made pursuant to a reference by the Minister of Finance and signed by the Board on April 1, 1982, is presented for tabling in Parliament under the provisions of section 6 of the Tariff Board Act.

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A.Y. Renaud

H.D. McCree

OTHER PARTICIPANTS

FOR THIS REFERENCE

G.R. Grant

Ottawa K1A 0G7

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REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

PART II

-- GPT Extension --
-- Report on Annex B Tariff Items --

INTRODUCTION

The present report contains the Board's recommendations on tariff items covered by Annex B of the Reference. Part I, tabled in Parliament on May 20, 1981, contained recommendations concerning Annex A. Those recommendations were implemented in the Notice of Ways and Means Motion (Customs Tariff) tabled in the House of Commons in conjunction with the presentation of the Budget on November 12, 1981.

Part II repeats in essence the Part I discussion of the general issues involved in Reference 158 because this report will be of interest to a different audience.

THE MANDATE

In the process of reviewing the system of General Preferential Tariffs (GPT), by virtue of which less developed countries are unilaterally accorded by Canada preferential access to Canadian markets, the government proposes to improve the scheme by bringing under the GPT select goods so far outside the system, and by reducing the rate of duty to Free for select goods already under the GPT. In many instances, this proposal amounts in part to an acceleration of tariff reductions which would have taken place in any event as a result of the general lowering of Most-Favoured-Nation (MFN) rates in the wake of the Tokyo Round negotiations. GPT rates are, generally, tied in by means of a formula to the MFN rates.

To be assured that the proposed reductions in rates of duty do not exert an adverse impact upon Canadian manufacturers, the Minister of Finance has requested the Board to review and to report on the expected impact of such changes. The letter of reference appears in Appendix I.

Tariff items with which the present report deals are enumerated next. They are divided into two groups: Group I contains items for which it is proposed that they be included under the GPT. Group II covers tariff items already under the GPT but for which it is now proposed that the GPT rate be reduced to Free.

GROUP I

Agricultural Products

7803-1, 14203-1, 14203-2, 14204-1, 14204-2, 14210-1,
14305-1, 14315-1, 14500-1, 27825-1.

Liquors/Spirits, etc.

15605-1, 15610-1, 15630-1, 15635-1, 16810-1.

Electrical

44542-1

GROUP II

Other Agricultural Products

1210-1, 7910-1, 27731-1

Liquors/Spirits, etc.

15615-1, 15620-1, 16001-1, 16002-1, 16101-1, 16102-1,
23300-1.

Building Materials/Products

19200-1, 19200-2, 19500-1, 28200-1, 28205-1, 28900-1,
30705-1, 30715-1, 30800-1, 50065-1.

Papers/Paper Products/Printed Matter

17800-1, 17900-1, 18000-1, 18010-1, 18030-1, 18100-1,
18105-1, 18200-1, 19300-1, 19410-1, 19800-1, 19900-2,
19930-1, 20205-1.

Glass Products

32201-1, 32300-1, 32305-1, 32606-1, 32612-1, 32701-1.

Chemicals

20900-1, 92804-5, 92808-1, 92809-1, 92813-5, 92816-1,
92817-3, 92838-1, 92842-1, 92901-4, 92901-12, 92903-2,
92904-5, 92913-1, 92915-1, 92915-3, 92916-1, 92931-1,
92935-1, 92936-1, 92944-1, 93206-1, 93404-1, 93819-2,
93901-81, 93902-81, 93902-83.

Miscellaneous

22600-1, 23205-1, 23210-1, 23600-1, 25200-1, 30400-1,
30805-1, 41105-1, 41105-2, 43833-1, 60600-1, 65705-1.

For those goods and tariff items where, in the opinion of the Board, the Minister's proposals, if implemented, would have an adverse impact on Canadian interests, the Board was asked to recommend a non-extension of GPT benefits (Group I), or a non-reduction of the existing GPT rates (Group II). For goods and/or tariff items where the Board is satisfied that the Minister's proposal, if put into effect, would not affect Canadian interests adversely, the Board was asked to recommend that it be implemented.

With respect to items which are at present excluded from the GPT, the Board was requested to consider:

- 1) the formula rate, i.e., a GPT rate at a level of the MFN rate minus one third, or the British Preferential (BP) rate, whichever is the lesser, or--
- 2) a GPT rate of Free.

For goods and tariff items already under the GPT, the Board was asked to consider a reduction to Free only.

In addition to the above, the Board in its study reviewed several other alternatives as well. With one or two exceptions, however, the options provided by the Minister were found to be sufficiently inclusive.

The Canadian General Preferential Tariff -- A Brief Background Note

The GPT is a unilateral extension by Canada of reductions in tariff rates to less developed countries. By extending such reductions, Canada has joined other industrialized nations in assisting the growth of the less developed countries by providing preferential access to the domestic markets of donor nations. Some 160 countries and territories may enjoy such trading privileges. A list appears in Appendix II.

The Canadian GPT was introduced on July 1, 1974, for a ten-year period. These provisions will, therefore, expire on June 30, 1984, unless renewed.

Canada's trade with GPT countries is not extensive. In 1980, the latest year for which detailed data are available, such trade accounted for \$3,882.5 million, or 6.2 per cent of Canada's imports, excluding crude petroleum and natural gas.

Total GPT country imports under Annex B tariff items amounted to \$45.5 million in 1980, equal to 1.2 per cent of total Canadian imports from GPT countries, again excluding petroleum and natural gas, and less than 0.1 per cent of total Canadian imports of all goods. However, the proposed reductions provide easier access to a total import market of \$1.0 billion (1980 figures), the value of total imports from all countries under Annex B tariff items, and, of course, to an even greater domestic market.

To allow for an orderly development of international trade under this system of privileges, the programs of most countries contain safeguard provisions. They are designed to deal with situations where GPT imports are causing or threatening to cause injury to the domestic economy of the donors. In countries of the European Economic Community and Japan, ceiling limits are in force. In the United States, the "competitive need" formula is used, according to which GPT benefits are phased out as developing economies become internationally competitive in specific products. The United States also has a petitioning procedure under which products can be added to, or removed from, the GPT eligibility lists. Other donor countries, as well, have various mechanisms to assist the domestic industry to cope with the impact of the extension of trading privileges.

Canada provides for withdrawal of GPT benefits in the Customs Tariff, section 3.2(2), as follows: "The Governor in Council may, by order, from time to time, withdraw the benefit of the General Preferential Tariff in whole or in part from any country to which it has been extended ...". Pursuant to this clause, the Minister has asked the Board, under Reference 158, in addition to conducting a general inquiry into extension of GPT benefits, also to carry out inquiries into petitions requesting withdrawal of such benefits to safeguard Canadian producers from injurious GPT imports. The Minister indicated in his letter that the government will be introducing legislation to change the current safeguard provisions. Apart from this step, however, Canadian producers can also initiate actions under the Anti-dumping Act or the Countervailing Duty Regulations.

THE BOARD'S APPROACH AND PROCEDURES

The Board's approach to this inquiry was largely determined by the time constraints imposed by the Minister's deadline, the broad nature of the reference, and the adverse impact criterion laid down by the Minister in his terms of reference. Annex B comprises 95 tariff items and some 1,200 individual goods. With much of the necessary data at that level of commodity detail being confidential and thus available from individual firms only, the determination of the impact of extending GPT benefits for all items and commodities would have required a data-gathering and an analytical effort well beyond the resources of the Board, given the Minister's deadline.

Therefore, in order to reduce its task to manageable proportions, the Board decided to concentrate its investigation mostly on those tariff items and goods with respect to which Canadian producers claimed that the proposed reduction in duties on imports from GPT countries would affect them adversely. This was, moreover, an approach which coincided with the Minister's criterion, that he would not propose GPT tariff changes or improvements unless it were determined that Canadian interests would not be adversely affected.

In line with this approach, a questionnaire was designed for the purpose of documenting "claims of adverse impact". The questionnaire took in the salient factors which are usually considered in the determination of injury within the GATT framework for subsidies and dumping as requested by the Minister. The questionnaire was accompanied by a brief description of the procedural steps involved in presenting a claim, a complete nomenclature of all referred items, together with current BP, MFN and, where applicable, GPT rates of duty, as well as scheduled reductions in these rates resulting from the latest Multilateral Trade Negotiations, and the GPT rates proposed by the Minister. This, together with data on total Canadian imports and imports from GPT countries for each tariff item referred to the Board, was made available to interested parties in the form of a background paper.

Inasmuch as private data and information contained in the questionnaires are at all times treated with utmost confidentiality by the Board, and, therefore, cannot be made available to other interested parties, all claimants were also requested to submit non-confidential briefs. These submissions, in accordance with standard procedures for the Board's inquiries, were circulated in advance of the public hearings to all affected GPT countries, as well as to all claimants who had submitted briefs concerning the same goods.

Notification

As required under the Tariff Board Act, the central feature of this investigation was the public hearing. Public hearings offer an opportunity to Canadian producers to present their claims of adverse impact, and to other interested parties -- importers, consumers and GPT countries -- to place before the Board their comments and opinions disputing or supporting such claims.

The Board, as required by law, notified the public about hearings concerning claims under Annex B by placing a Notice in the Canada Gazette on February 21, 1981 (Notice R-208, see Appendix III). Moreover, to ensure the broadest possible coverage, notices were published in a select number of newspapers across Canada. Furthermore, by direct mailing, the Board informed relevant federal departments, provincial governments, all embassies of GPT countries, various producers' and importers' associations and a large number of individual companies. Various organizations, notably the Canadian Manufacturers' Association and Canadian Importers Association Inc., greatly assisted the Board by placing notices in their associations' publications as well.

In response to this publicity, the Board received some 90 requests for background and other materials. These requests led to claims both in support of the Minister's proposals, as well as of likely injury or a threat thereof if such proposals were implemented, and covered 33 tariff items. These claims were heard before the Board in the course of 1981.

In the instances where the claims were presented by an association, e.g., the Graphic Arts Industries Association, such claims covered more manufacturers than the mere number of claims would imply. In the case of the Graphic Arts Industries Association, about 780 firms were represented.

Public Hearings

Public hearings were held in Ottawa on May 27, September 14 and November 16-17. The latter hearing was extended to accommodate claims which were late in arriving. These claims were heard on December 3, 1981.

SUBMISSIONS

The following submitted briefs and attended public hearings, addressing the Board in some instances on their own behalf, that of their clients, or jointly with other claimants:

- *APMA, Automotive Parts Manufacturers' Association of Canada, Toronto, Ontario
- *American-Standard, Division of Wabco-Standard Inc., Toronto, Ontario
- *Armstrong World Industries Canada Ltd., Montreal, Quebec
- *Asbestonos Corporation Limited, St. Lambert, Quebec
- Association of Canadian Distillers, Ottawa, Ontario
- Arthur L. Brunette Ltée, Montreal, Quebec
- *BASF Canada Inc., Ville St. Laurent, Quebec
- Blaiklock Incorporated, Montreal, Quebec
- Borden Chemicals, Division of the Borden Company Limited, West Hill, Ontario
- *Canada Packers Inc., (Chemicals Division), Mississauga, Ontario
- *Canadian Acoustical Ceiling Products Manufacturers Association (C.A.C.P.M.A.)
Ottawa, Ontario
- Domtar Inc., Montreal, Quebec
- Fiberglas Canada Inc., Toronto, Ontario
- Masonite Canada Inc., Gatineau, Quebec
- Canadian General Electric Company Limited, Toronto, Ontario
- *Canadian General-Tower Limited, Cambridge, Ontario
- *Canadian Horticultural Council, Ottawa, Ontario
- *Canparts Automotive International Ltd., Cambridge, Ontario
- *Certified Brakes - A Lear Siegler Company, Rexdale, Ontario
- Chemacryl Plastics Limited, Rexdale, Ontario
- Corporation House Ltd., Ottawa, Ontario
- *Crane Canada Inc., Montreal, Quebec
- Croda Canada Limited, Toronto, Ontario
- *Cuba, Government of the Republic of Cuba, Havana, Cuba
- *Cyanamid Canada Inc., Willowdale, Ontario
- Design Dynamics Ltd., Oakville, Ontario
- *Distex-SNA Inc., Montreal, Quebec
- *Dominion Colour Company Limited, Toronto, Ontario
- *Domtar Construction Materials/ARBORITE^(R) Products, Lasalle, Quebec
- *Domtar Inc., Roofing and Fibre Products Division, Montreal, Quebec
- *Durolam Limited, St. Jovite, Quebec

- *Dyeco Limited, Kingston, Ontario
- *Eastern Pottery, Division of Waltech, Inc., Cornwall, Ontario
 - Embassy of Brazil, Ottawa, Ontario
 - Embassy of the Republic of Cuba, Ottawa, Ontario
 - Embassy of Mexico, Ottawa, Ontario
 - Embassy of the People's Republic of China, Ottawa, Ontario
- *Emery Industries Limited, Toronto, Ontario
 - Esso Chemicals Canada, Toronto, Ontario
- *Flowers Canada Inc., Guelph, Ontario
- *Graphic Arts Industries Association, Ottawa, Ontario
- *Greening Donald Co. Ltd., Hamilton, Ontario
 - Herridge, Tolmie, Ottawa, Ontario
 - Johnson & Johnson Inc., Montreal, Quebec
- *Kendall Canada, Division CKR Inc., Toronto, Ontario
 - Lawson & Jones Limited, London, Ontario
- *Martin-Black Inc., Pointe-Claire, Quebec
- *McGaw Manufacturing, Division of McGaw Supply Ltd., Brantford, Ontario
 - Mintex Canada Limited, Rexdale, Ontario
 - Nordfibre Company, North Bay, Ontario
 - Perley-Robertson, Panet, Hill & McDougall, Ottawa, Ontario
- *Pfizer Canada Inc., Pointe-Claire, Quebec
 - PPG Industries Canada Ltd., Toronto, Ontario
 - Quebec Trailer Inc., St. Laurent, Quebec
- *RCA Inc., Midland, Ontario
- *Raybestos Canada Inc., Peterborough, Ontario
 - Royal Bank of Canada, Kitchener, Ontario
- *Smith & Nephew Inc., Lachine, Quebec
 - Tanners Association of Canada, Kleinburg, Ontario
- *The Society of the Plastics Industry of Canada, Don Mills, Ontario
- *Union Carbide of Canada Limited, Toronto, Ontario
 - United Alternator and Starter Limited, Rexdale, Ontario
- *Wire Rope Industries Ltd., Pointe-Claire, Quebec
- *Wrighs Canadian Ropes Ltd., Richmond, British Columbia

Note:

(*) Submitted individual briefs and also attended public hearings.

FACTORS CONSIDERED

Following the guideline of the Minister that he "... would not want to propose such changes or improvements (to the GPT scheme), unless it were determined that Canadian interests would not be adversely affected ...", the Board has concentrated its investigation and inquiry on those goods and tariff items for which Canadian manufacturers opposed the proposed extension of GPT benefits by presenting claims to the Board.

Such claims of adverse impact were then examined against those economic factors generally recognized as relevant to a determination of injury under the GATT with respect to dumping and subsidies. Accordingly, the Board considered such factors as actual and potential decline in output, sales, market share, profits and productivity. Inasmuch as adverse impact in these terms must be related to GPT imports only, the Board examined in particular evidence on the share of total Canadian imports and the share of the domestic market supplied by GPT-country imports. For Group II tariff items, those already provided for under the GPT, the trend of GPT imports since 1974, the year in which the GPT was introduced, was deemed to be especially relevant.

Furthermore, the Board also took due notice of world-wide conditions pertaining to those sectors of Canadian industry affected by the Minister's proposals, e.g., chemicals. The international competitive position of an industry, as illustrated by its balance between imports and exports, was another relevant factor.

The Board was also influenced by the depth of the tariff cut proposed by the Minister. This was a concern especially for Group II tariff items, where the current GPT rate is already one-third less than the MFN rate, and where the Minister proposed a reduction of the remaining two-thirds to Free. A similar concern applied to Group I items where the current BP rate is Free, and where inclusion under the GPT would, thus, require a reduction to Free as well. On the other hand, the Board also took note that for some tariff items the BP and MFN rates were scheduled to decline to Free by 1987, as a result of recent Multilateral Trade Negotiations. An immediate reduction in the GPT rate would, therefore, simply accelerate, with respect to imports from GPT sources, the "scheduled" loss of protection already faced by Canadian manufacturers. For GPT suppliers, such a reduction at the outset provides an improved margin of preference. This margin, though, will decline as scheduled reductions in MFN rates take effect.

In addition, there are a number of referred tariff items in Schedule "A", Group XII, of the Customs Tariff, concerning products of the chemical, plastics and allied industries, where GPT imports are dutiable under the permanent statutory item, but where the effective rate is Free by way of a temporary rate reduction. In these instances, the Board is of the opinion that the Minister sought the Board's views and recommendations with respect to permanent rates only, as with all other referred tariff items.

The Board found that all submissions opposing GPT extension were characterized by a concern about the impact of GPT imports in the future. Few submissions based their objections to the Minister's proposals on an adverse impact from current GPT imports. This fear or apprehension concerning GPT imports was expressed in terms of lower labour costs, lower material costs, lower social security costs, lower labelling costs, the absence of pollution abatement costs, ready access to capital and technology, world-scale of production, subsidies, etc. Frequently, mention was made of new capacity already in place in GPT countries, or presently being installed, or being planned.

Many of these factors, acknowledged to be operative currently, were, in most cases, admittedly not visible in current GPT imports. However, claimants feared that they would result in rapidly rising imports once tariff protection against such imports were reduced or totally eliminated. Concern was also expressed on occasion about the impact of the proposed tariff reductions on the domestic price structure and the financial viability of Canadian producers.

Most frequently identified sources of allegedly injurious GPT imports were the Republic of Korea, India, Brazil, Mexico, Hong Kong, Israel, the Philippines and the People's Republic of China. This order, it should be noted, also prevailed in hearings for Annex A.

As in earlier hearings, some of those appearing now before the Board were of the opinion that newly industrialized countries should no longer be beneficiaries of the preferential access provided under the GPT. In their view, such benefits should, instead, be accorded to the least developed of the developing nations. Thus far, however, GPT country-specific action has not been the practice in Canada. The Board notes, though, that the Minister has proposed in his latest Budget to eliminate the duties on goods covered by the GPT when imported from the least developed of the developing countries. He stated further that these tariff reductions form an important part of Canada's contribution to the concerted efforts of the world's developed economies to promote the growth and development of developing nations.

The Board, however, did not deem that an apprehension or fear of adverse impact was sufficient in itself in arriving at a recommendation to the Minister not to proceed with his proposals. The Board was of the opinion that such action required some tangible evidence of an existence of a real threat, such as existing and developing capacity in GPT countries, large or rapidly rising imports from GPT countries elsewhere, e.g., into the United States, a concentration of such imports among two or three suppliers, an increasing level of GPT penetration of the Canadian domestic market and fragility and vulnerability of the domestic industry. In the absence of such evidence, the Board could not reasonably conclude that an adverse impact was likely.

In the event that the proposed extension of GPT benefits should result in an increase in GPT imports deemed injurious, manufacturers can in any case avail themselves of the right under this reference to petition the Board for safeguard action. In addition, Canadian producers can also initiate actions under the Anti-dumping Act or the Countervailing Duty Regulations.

In order to fulfill its mandate, the Board examined all tariff items for which no submissions were tendered, so as to determine whether any cases existed where adverse impact or a threat thereof was apparent. The Board reviewed trade data to determine the importance of GPT-country imports relative to total imports. Where imports from GPT countries comprised a substantial percentage of total Canadian imports or were found to be growing rapidly, evidence was also examined concerning the percentage of the domestic

market supplied by GPT imports to determine the extent of the penetration, and the likelihood of an adverse impact should the GPT be introduced or the existing GPT rates reduced to Free.

The Board concluded in most cases that the very absence of such opposition was strong evidence that the Minister's proposals were unlikely to affect Canadian interests adversely, and recommended extension of GPT benefits in such instances. However, where the Board's own analysis indicated a deep, or rapidly rising, penetration of the domestic market by GPT imports, the Board recommended that the existing rates be left unchanged.

THE BOARD'S RECOMMENDATIONS CONCERNING CLAIMS RECEIVED AND HEARD

This section contains the Board's summary findings, conclusions and recommendations on the 33 tariff items which were the subject of claims of adverse impact. The recommendations for these 33 tariff items will be summarized in the following section, together with the recommendations of the Board for the remaining 62 items for which no claims of adverse impact were received.

The current BP, MFN and GPT rates presented in the following summaries are those in effect as of January 1, 1982. For tariff items whose MFN rates will be reduced as a result of the recently-concluded Multilateral Trade Negotiations (MTN), the BP and MFN rates in effect on January 1, 1987, are shown as well. In calculating GPT "current" rates for 1987, it was assumed that the GPT system would be renewed in 1984 on its present basis. For those items for which a GPT rate is being set by statute pursuant to the November 12, 1981 Notice of Ways and Means Motion (Schedule I), it was assumed that the rate would continue to apply. In very few cases, this procedure resulted in a GPT rate higher than the MFN and BP rates in effect in 1987. For those items whose present GPT rate is established in accordance with the formula [subsection (2) and (7) of section 3.1] the formula was applied to the BP and MFN rates scheduled to be in effect in 1987. The proposed GPT rates for 1982 and 1987 for Group I items, at present not provided for under the GPT schedule, are formula rates as well. The alternative proposal of the Minister of extending the GPT to these items at Free is not shown.

It should also be noted that in many instances referred tariff items covered many individual goods at the 7-digit Canadian International Trade Classification (CITC) level. Claimants were frequently interested in one or two specific goods only, rather than the whole tariff item. Therefore, discussion and recommendations often refer to such individual goods and not the whole tariff item. These instances are duly detailed. The recommendations in the text do not, however, cover the details of implementation. That is, if a specific good is to be extracted for separate treatment, the recommendations do not describe the procedures involved in carrying out these changes. Such details, to avoid repetition, are shown only in the Summary of the Board's recommendations.

The Board can recommend that a good be included for the first time in the GPT system at the formula rate, at Free, or at a rate within these two limits, or not included as proposed. For the goods already under the GPT, the Board can recommend a reduction to Free or to a rate below the current rate but above Free. Finally, the Board may recommend that the rate be not reduced from the current level. This does not mean that the rate would necessarily remain unchanged. Where the MFN rate will decline in accordance with the scheduled implementation of the MTN concession rates, GPT rates tied by the formula to the MFN rates will continue to decline as well.

Group I: Agricultural Products

Tariff Item 7803-1

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
7803-1	Hydrangeas and other pot-grown plants, n.o.p.; buds, scions and other stock for grafting or budding purposes, n.o.p.; bulbs, corms, tubers, rhizomes and dormant roots, n.o.p. ..	Free	11.6 p.c.	-	Free
	Effective1/1/87	Free	10 p.c.	-	Free

Claimant:

1. Canadian Horticultural Council on behalf of Flowers Canada Inc.

The tariff item contains three clauses: the first referring to hydrangeas and other pot-grown plants, n.o.p., the second covering buds, scions and other stock for grafting or budding purposes, while the third deals with bulbs, corms, tubers, rhizomes and dormant roots. All these goods are dutiable under the MFN schedule at 11.6 p.c. The BP rate is Free, and there is no rate under the GPT schedule. The same goods are eligible for free entry under tariff item 7804-1 when imported by Canadian florists and nurserymen "for bona fide forcing or growing on prior to disposal". Tariff item 7803-1, therefore, provides the growers with protection against imports from MFN countries by retailers and consumers. The proposed extension of the GPT at Free (Free because the BP already carries no duty) would, therefore, remove that protection with respect to all the described goods when imported from GPT

countries. The Council had no objection to the proposal for clauses two and three, but recommended non-extension of GPT benefits to hydrangeas and other pot-grown plants n.o.p.

The Board found that imports of the pot-grown plants at issue from GPT countries under 7803-1 have been sporadic and negligible. Moreover, from available evidence it could not be concluded that such imports would expand rapidly should the tariff item be brought under the GPT scheme at Free. Technical difficulties with supplies, regulations enforced by Canada Agriculture with respect to such imports, and problems with transportation and distribution militate against such a development.

In the absence of extensive actual imports as well as of evidence of a potential threat should the GPT extension to this tariff item be implemented, the Board recommends that tariff item 7803-1 be extended free entry under the GPT scheme.

The Council also proposed to delete palms, ferns, rubber plants and araucarias from tariff item 7801-1, where they enter free of duty, except under the General Tariff, and to add these specifically-named potted plants to tariff items 7803-1 and 7804-1. Such a change would make them dutiable when imported by consumers and retailers, and duty-free when imported by Canadian florists and nurserymen. The Board concludes that this matter is not within its mandate because tariff items 7801-1 and 7804-1 are not within the terms of Reference 158.

Tariff Items 14203-2 and 14305-1

	BP	MFN	GPT	
			Current	Proposed
Tobacco, unmanufactured, for excise purposes under conditions of the <u>Excise Act</u> , subject to such regulations as may be prescribed by the Minister:				
N.o.p.:				
14203-2 ^{a/} <u>Unstemmed, when imported by cigar manufacturers for use exclusively in the manufacture of cigars in their own factoriesper pound</u>				
	12.5 cts.	12.5 cts.	-	8.33 cts.

		GPT		
		<u>BP</u>	<u>MFN</u>	<u>Current</u> <u>Proposed</u>
14305-1*	Cigars, the weight of the bands and ribbons to be included in the weight for dutyper pound	\$1.45	\$1.45	- 96.72 cts.
	and	10 p.c.	10 p.c.	- 6.5 p.c.

Notes:

a/ The duty under the noted item shall be levied on the basis of "Standard leaf tobacco" consisting of ten per cent of water and ninety per cent of solid matter.

*/ Section 21, of the Customs Tariff provides for an additional duty which is equivalent to the excise duty.

Claim Entered in Support of the Proposal:

1. Government of the Republic of Cuba

The two tariff items are being handled jointly because the goods they cover are very closely related and, also, because the claimant in support of the proposed extension presented his case for the two tariff items together.

Canadian cigar manufacturers import Cuban cigar leaf tobacco under tariff item 14203-2 for the exclusive use in their own plants to improve their product. A reduction in the rate of duty on such imported raw material would benefit Canadian producers. The brief highlighted this point.

In respect to cigars proper, Cuban cigars are "non-competitive" when compared to similar Canadian products. Cuban cigars are completely different as to the blend, taste, and even the manner of manufacturing.

In view of the fact that, despite notification, no Canadian producers claimed before the Board that the implementation of the proposed inclusion under the GPT would result in an adverse impact, or a threat of such an impact, the Board concludes that the proposed extension would not adversely affect Canadian producers. Therefore, the Board recommends that tariff items 14203-2 and 14305-1 be included under the GPT system at formula rates, as proposed.

Group I: Liquors/Spirits, etc.

Tariff Items 15605-1, 15610-1, 15630-1 and 15635-1

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
15605-1*	Whiskeyper gallon of the strength of proof	38.8 cts.	38.8 cts.	-	25.9 cts.
	Effective1/1/87	20 cts.	20 cts.	-	13.3 cts.
15610-1*	Ginper gallon of the strength of proof	38.8 cts.	38.8 cts.	-	25.9 cts.
	Effective1/1/87	20 cts.	20 cts.	-	13.3 cts.
15630-1*	Spirituous or alcoholic liquors, n.o.p.; ab- sinthe, arrack or palm spirit, artificial brandy and imitations of brandy, n.o.p.; cordials of all kinds, n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafia, and alcoholic bitters or beverages, n.o.p.; and wines, n.o.p., contain- ing more than forty per cent of proof spirit ... per gallon of the strength of proof	81.3 cts.	81.3 cts.	-	54.2 cts.
	Effective1/1/87	50 cts.	50 cts.	-	33.3 cts.
15635-1*	Vodka ...per gallon of the strength of proof	81.3 cts.	81.3 cts.	-	54.2 cts.
	Effective1/1/87	50 cts.	50 cts.	-	33.3 cts.

Note:

*/ Section 21, of the Customs Tariff provides for an additional duty which is equivalent to the excise duty.

Claim Entered in Support of the Proposal:

1. Association of Canadian Distillers

The Association supported the proposed extension of the GPT to imports of goods covered by the referred tariff items, noting in the process its approval of government policy to encourage imports from GPT countries.

Therefore, since the Canadian industry does not oppose the extension of the GPT, the Board recommends that the GPT benefits be extended to these tariff items at formula rates.

Group I: Electrical

Tariff Item 44542-1

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
44542-1	Electron tubes, except X-ray tubes; Bases, beaded assemblies, cages, guns, mounts, stems and wire-wound grids, all for use in the manufacture of elec- tron tubes, except X-ray tubes	Free	12.8 p.c.	-	Free
	Effective1/1/87	Free	9.2 p.c.	-	Free

Claimant:

1. RCA Inc.

The goods subject to the claim of adverse impact if the GPT were extended at Free are colour television tubes. Since these goods form part of the inquiry under Reference 160 which started after the hearings for Annex B were completed, and which will continue after the present report has been forwarded to the Minister of Finance, the Board will make its recommendations on tariff item 44542-1 when reporting on Reference 160.

Group II: Liquors/Spirits, etc.

Tariff Items 15615-1 and 15620-1

		<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
				<u>Current</u>	<u>Proposed</u>
15615-1*	Rum, n.o.p.per gallon of the strength of proof	50 cts.	\$1.63		
	<u>The produce of a country accorded the benefits of the British Prefe- rential Tariff</u> per gallon of the strength of proof			Free	
	<u>The produce of a country accorded the benefits of the Most-Favoured- Nation Tariff</u> per gallon of the strength of proof			\$1.50	Free
	Effective1/1/87	50 cts.	\$1.00		
15620-1*	Brandyper gallon of the strength of proof	81.3 cts.	81.3 cts.	50 cts.	Free
	Effective1/1/87	50 cts.	50 cts.	50 cts.	Free

Note:

*/ Section 21, of the Customs Tariff provides for an additional duty which is equivalent to the excise duty.

Claim Entered in Support of the Proposal:

1. Association of Canadian Distillers

As in the earlier instance for similar goods in Group I, the Association supported the proposed reduction of the GPT.

Therefore, in the absence of any opposition, the Board recommends that the GPT rate on tariff items 15615-1 and 15620-1 be reduced to Free.

Group II: Building Materials/Products

Tariff Items 19200-1 and 19200-2

		<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
				<u>Current</u>	<u>Proposed</u>
Tarred paper and prepared roofings (including shingles), fibre- board, strawboard, sheathing and insulation, manufactured wholly or in part of vegetable fibres, n.o.p.; blotting paper, not printed nor illustrated:					
19200-1	Other than the following..	12.8 p.c.	12.8 p.c.	8.5 p.c.	Free
	Effective1/1/87	9.2 p.c.	9.2 p.c.	6 p.c.	Free
19200-2	Building papers and building paper felts, whether or not coated or saturated, not cut to size or shape; fibreboard, straw- board, sheathing and insulation, manufac- tured wholly or in part of vegetable fibres, n.o.p., not cut to size or shape; blotting paper, not cut to size or shape.....	11.8 p.c.	11.8 p.c.	7.5 p.c.	Free
	Effective1/1/87	6.5 p.c.	6.5 p.c.	4 p.c.	Free

Claimants:

- Domtar Inc., Roofing and Fibre Products Division,
joined by Nordfibre Company, concerning decorative ceiling tiles
and lay-in panels
- Canadian Acoustical Ceiling Products Manufacturers Association,
(C.A.C.P.M.A.), for its members:
Domtar Inc.
Fibreglas Canada, Inc.
Masonite Canada, Inc., concerning acoustical tiles

The goods subject to the claim of adverse impact if the GPT rate were reduced to Free as proposed, are decorative ceiling tiles and lay-in panels when cut to size (tariff item 19200-1) as well as uncut (tariff item 19200-2), and acoustical tiles imported under these two tariff items.

Prior to 1980, all ceiling tiles and lay-in panels, together with other building materials, were imported under tariff item 19200-1. Tariff item 19200-2 covering, in part, tiles and panels not cut to size or shape, was introduced in 1980. Tiles and panels cut to specified sizes remained in the tariff item 19200-1. Both tariff items were referred to the Board.

The manufacturers of ceiling tiles and lay-in panels on whose behalf Domtar Inc., Roofing and Fibre Products Division, presented the claim of adverse impact, produce in the main standard tiles for long established markets. Domtar Inc., was joined in its claim by Nordfibre Company. Demand for such tiles has been declining with the development of new products. Recently developed ceiling tiles contain mineral additives which make them thermally more efficient and impart better fire-retardant characteristics as compared with standard tiles.

The tiles with mineral additives are produced by members of C.A.C.P.M.A. Such tiles are manufactured by adding Perlite to the basic mix to yield fire-proof material. The same raw materials are used as for standard tiles.

At the same time as the use of these new tiles is growing, independent demand for decorative ceiling finishes is emerging as well. Such decorative ceiling tiles are replacing more standard non-decorative ceiling tiles and lay-in panels.

The industry is adapting itself to these changes while facing escalating costs. In particular, production costs are increasing because alternative uses are being found for the basic raw material from which ceiling tiles and lay-in panels are manufactured.

Past imports into Canada from GPT countries of ceiling tile products have been sporadic. However, shipments from Mexico and Brazil to the United States, a comparable market, have grown in recent years. Brazil has a particular cost advantage over other producers by using bagasse as raw material, low-priced because no extensive alternative use has yet been found for this by-product of sugar cane processing. Production costs are low for that reason alone. In addition, favoured treatment of Brazilian exports by Brazilian shipping lines provides still another source of cost advantage.

Moreover, with respect to new products, or tiles with mineral additives, notably Perlite, existing production facilities in GPT countries can be readily converted at little cost to include such additives in the basic mix. It was noted by claimants that Mexico produces Perlite.

The extent of the proposed reduction to Free in the existing GPT rates of 8.5 p.c. and 7.5 p.c., for tariff items 19200-1 and 19200-2 respectively, must be taken into account as well. This results in a significant advantage for GPT exporters to Canada in comparison with domestic suppliers of the Canadian market.

The Board concludes that these factors, taken together, represent evidence of a tangible threat to Canadian producers should the proposed reduction be implemented.

Therefore, the Board recommends that a separate provision be made for:

"... products manufactured wholly or in part of vegetable fibre, designed for ceiling use, n.o.p., whether or not cut to size or shape ..."

to which the proposed reduction in the GPT rate would not apply.

Because no claims of possible adverse impact have reached the Board concerning other goods covered by tariff items 19200-1 and 19200-2, the Board recommends that for the remaining goods under these tariff items the existing GPT rates be reduced to Free.

Tariff Item 28900-1

				GPT	
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
28900-1	Baths, bathtubs, basins, closets, closet seats and covers, closet tanks, lavatories, urinals, sinks and laundry tubs of earthenware, stone, cement, clay or other material, n.o.p...	12.5 p.c.	15 p.c.	10 p.c.	Free
	Effective1/1/87	11.3 p.c.	11.3 p.c.	7.5 p.c.	Free

Claimants:

1. American-Standard, Division of Wabco-Standard Inc.
2. Crane Canada Inc.
3. Eastern Pottery, Division of Waltech, Inc.

The goods subject to the claim of adverse impact, if the GPT rate of 10 p.c. were reduced to Free as proposed, are toilet bowls, tanks and bowl-tank combinations made of vitreous china.

The three claimant companies together comprise the bulk of Canadian production of vitreous china toilet bowls, tanks and bowl-tank combinations. Production is concentrated in Quebec and Ontario, with some manufacturing also taking place in British Columbia.

The Canadian market for products under the claim depends mainly on new construction activity, and to a lesser extent on replacement. During the past decade the market has witnessed a continuing decline, recently accompanied by rapidly increasing imports from Mexico. Mexican goods are alleged to have captured a large segment of the low quality, low-priced portion of the market. This segment is alleged to be particularly price sensitive. It is proposed, moreover, to reduce the GPT rate from the current 10 p.c. to Free, which, given the alleged price sensitivity, would give GPT imports a significant advantage over domestic suppliers of the Canadian market.

In view of the impact already in evidence, the Board concludes that the proposed reduction of the GPT to Free for toilet bowls, tanks and bowl-tank combinations made of vitreous china should not be implemented, and so recommends.

The claimants did not express any interest and did not object to a reduction to Free in the GPT rate for the rest of the goods coming under tariff item 28900-1. Nor were any other claims of adverse impact presented before the Board. Therefore, the Board recommends that for goods other than toilet bowls, tanks and bowl-tank combinations made of vitreous china coming under tariff item 28900-1 the GPT rate be reduced to Free.

Group II: Papers/Paper Products/Printed Matter

Tariff Items 17800-1, 18000-1, 18030-1 and 18200-1

17800-1 Advertising and printed
 matter, viz.: Adver-
 tising pamphlets, adver-
 tising show cards, il-
 lustrated advertising
 periodicals; price
 books, catalogues and
 price lists; advertising
 almanacs and calendars;
 patent medicine or other
 advertising circulars,
 fly sheets or pamphlets;
 advertising chromos,
 chromotypes, oleographs
 or like work produced by

		<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
				<u>Current</u>	<u>Proposed</u>
17800-1 (cont.)	any process other than hand painting or drawing, and having any advertisement or advertising matter printed, lithographed or stamped thereon, or attached thereto, including advertising bills, folders and posters, or other similar artistic work, lithographed, printed or stamped on paper or cardboard for business or advertisement purposes, n.o.p., per pound but not less than	5 cts. -	6.25 cts. 23.1 p.c.	5 cts. -	Free
	Effective1/1/87 per pound but not less than	5 cts. -	- 20 p.c.	5 cts. -	Free
18000-1	Photographs, chromos, chromotypes, artotypes, oleographs, paintings, drawings, pictures, engravings or prints or proofs therefrom, and similar works of art, n.o.p.	12.5 p.c.	16.7 p.c.	11 p.c.	Free
	Effective1/1/87	11.3 p.c.	11.3 p.c.	7.5 p.c.	Free
18030-1	Plans and drawings, related specifications, any substitute therefor, reproductions of the foregoing, n.o.p.; maps and charts, n.o.p.	12.5 p.c.	14.8 p.c.	9.5 p.c.	Free
	Effective1/1/87	10.2 p.c.	10.2 p.c.	6.5 p.c.	Free
18200-1	Music for mechanical piano players	5 p.c.	6.8 p.c.	4.5 p.c.	Free
	Effective1/1/87	5 p.c.	5.5 p.c.	3.5 p.c.	Free

Claimant:

1. Graphic Arts Industries Association

Having examined the tariff items under the present heading, the Association stated that it did not object to the proposed reduction of the GPT rate to Free. GPT import penetration is negligible. In the absence of any other claims of adverse impact, the Board, therefore, recommends that the GPT rate for tariff items 17800-1, 18000-1, 18030-1 and 18200-1 be reduced to Free.

Tariff Items 17900-1, 18100-1 and 18105-1

		GPT	
		<u>Current</u>	<u>Proposed</u>
17900-1	Labels for cigar boxes, fruits, vegetables, meats, fish, confectionery or other goods or wares; shipping, price or other tags, tickets or labels, and railroad or other tickets, whether lithographed or printed, or partly printed, n.o.p.; the foregoing not including labels of textile fibres or filaments	15.7 p.c.	16.7 p.c.
		11 p.c.	Free
	Effective1/1/87	11.3 p.c.	11.3 p.c.
		7.5 p.c.	Free

Tickets issued by railway systems in the British Commonwealth (not including railway systems operating in Canada), shall be exempt from customs duty, when produced in countries entitled to the benefits of the British Preferential Tariff.

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
18100-1	Banks notes, bonds, bills of exchange, cheques, promissory notes, drafts and all similar work, unsigned, and cards or other commercial blank forms printed or lithographed, or printed from steel or copper or other plates; printed matter, n.o.p.	15.7 p.c.	16.7 p.c.	11 p.c.	Free
	Effective1/1/87	11.3 p.c.	11.3 p.c.	7.5 p.c.	Free
18105-1	Pictorial post-cards, greeting cards and similar artistic cards or folders	15 p.c.	16.7 p.c.	11 p.c.	Free
	Effective1/1/87	11.3 p.c.	11.3 p.c.	7.5 p.c.	Free

Claimant:

1. Graphic Arts Industries Association

The Association claimed adverse impact for these tariff items, for which the current rate of 11 p.c. is proposed to be reduced to Free.

Tariff Item 17900-1

GPT imports under the reviewed tariff item have advanced in recent years less rapidly than production of like goods in Canada. In addition, in absolute terms, such imports have been small to date and the rate of growth has declined in 1981. In view of this background, the Board concludes that, should the GPT rate be reduced to Free, GPT imports are unlikely to grow so rapidly as to injure Canadian producers.

The Board, therefore, recommends that the GPT rate for tariff item 17900-1 be reduced to Free.

Tariff Item 18100-1

Bank notes and stamps covered by this tariff item must by statute be produced in Canada. Therefore, the claim concerns other types of printed matter included under this tariff item, in particular business forms, e.g., forms for cash registers, continuous forms, computer print-out forms and "sets" of forms with multiple copies attached.

Imports from GPT countries under this tariff item have grown more rapidly in the recent past than production in Canada of like goods. In addition, penetration from GPT imports is already noticeable at the current GPT rate of 11 p.c. In view of the overall import penetration, moreover, the competitive strength of this sector of the printing industry appears to be rather low at present. The Board concludes that reducing the GPT rate to Free could well lead to an adverse impact, particularly if the depth of the proposed reduction and the advantage it would give GPT imports over domestic supplies are taken into account.

Therefore, the Board recommends that the GPT rate for tariff item 18100-1 be not reduced to Free.

Tariff Item 18105-1

GPT imports of goods entering Canada under this tariff item, while still small, have been expanding rapidly despite the GPT rate of 11 p.c., and much faster than domestic production of like goods. The present position of the domestic industry, therefore, given the existing tariff protection, already shows signs of erosion. Although imports from GPT countries slowed down in the early part of 1981, the Board concludes that potential for further adverse impact is present.

Therefore, the Board recommends that for tariff item 18105-1 the GPT rate be not reduced to Free.

Group II: Chemicals

Tariff Items 92915-1 and 92915-3

92915 - Polyacids and their anhydrides, acid halides, acid peroxides and peracids, and their halogenated, sulphonated, nitrated or nitrated derivatives:

		GPT		
		<u>BP</u>	<u>MFN</u>	<u>Current</u> <u>Proposed</u>
92915-1	Other than the following	10 p.c.	14.1 p.c.	9 p.c. Free
	Effective1/1/87	10 p.c.	12.5 p.c.	8 p.c. Free
<u>92915-1</u>	<u>Temporary rate reductionwith the exception of the following:</u>			
	Adipic acid;			
	*Butyl-2-ethylhexyl phthalate (butyl octyl phthalate);			
	*Butyl isodecyl phthalate;			
	*Butyl isooctyl phthalate;			
	Dibutyl fumarates;			
	*Dibutyl maleates;			
	*Dibutyl phthalates;			
	Dibutyl sebacates;			
	*Didecyl phthalate;			
	*Di-(2-ethylbutyl) phthalate;			
	*Di-(2-ethylhexyl) adipate;			
	*Di-(2-ethylhexyl) azelate (dioctyl azelate);			
	Di-(2-ethylhexyl) phthalate;			
	*Di-(2-ethylhexyl) sebacate (dioctyl sebacate);			
	*Di-isodecyl adipate;			
	*Di-isodecyl phthalate;			
	*Di-isooctyl adipate			
	Di-isooctyl azelate;			
	*Di-isooctyl phthalate;			

			GPT	
			Current	Proposed
<u>92915-1</u> (cont.)	Di-(2-methoxyethyl) phthalate; Di(methylcyclo- hexyl) phthalate; *Dinonyl phthalate; *Di-(2-octyl) phtha- late (dicapryl phthalate); *Ditridecyl phthalate *2-Ethylhexyl n- decyl phthalate; Ferrous fumarate; Lead fumarate, tet- rabasic; Lead phthalate, di- basic; Maleic acid; *n-Octyl n-decyl adipate; *n-Octyl n-decyl phthalate; Oxalic acid; Phthalic acid; *Tri-(2-ethylhexyl) trimellitate..... 03/06/80 to 30/06/82	BP	MFN	
	Goods admissible to free entry under British Preferential Tariff, for use only in the manufacture of goods described in headings 93901 to 93905 inclusive 03/06/80 to 30/06/82	Free		Free
	Goods admissible to free entry under British Preferential Tariff, for use in the manufacture of addi- tives for heating, lu- bricating and fuel oils 03/06/80 to 30/06/82			5 p.c.

		<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
				<u>Current</u>	<u>Proposed</u>
92915-3	Phthalic anhydride	10 p.c.	12.5 p.c.	8 p.c.	Free

Note:

*/ Products under 92915-1 either manufactured by the claimant or claimed to be directly competitive with claimant's products, on behalf of which the claim of adverse impact is presented.

Claimant:

1. BASF Canada Inc.

The goods subject to the claim of adverse impact, if the GPT rate of 9 p.c. were reduced to Free as proposed, are marked by (*) in the list of goods which comprise tariff item 92915-1. No such identification is necessary for the single commodity tariff item 92915-3, for which BASF Canada Inc., also presented a claim before the Board, where the proposed reduction is from current 8 p.c. to Free.

BASF Canada Inc., is the largest producer of plasticizers in Canada listed under tariff item 92915-1. The other two known manufacturers are Monsanto Canada and Carlew Chemicals. No claims have reached the Board from the two latter companies.

Recent import competition has been confined entirely to non-GPT sources. Penetration of the domestic market is already significant, and it was also stated at the hearing that of the two non-claimants at least one -- Monsanto Canada -- has imported part of its Canadian demand for some years from a related company in the USA. Because of the extensive import penetration, the claimant's profitability has been adversely affected, and BASF Canada Inc., asserted that it is financially and otherwise in a precarious and vulnerable position.

Moreover, the existence has been reported of substantial excess capacity in GPT countries in much larger plants than those in Canada. Furthermore, in such GPT countries as Mexico, Venezuela, Brazil and Romania, the petro-chemical industry of which such plants form a part is aided by way of government subsidized feed-stocks. In still other countries, new world-scale petro-chemical complexes are being developed with government assistance.

The Board, therefore, concludes that an increase in GPT imports is probable should the GPT rate be reduced from the current 9 p.c. to Free, as proposed. There is little reason to doubt that such an increase would result in an injury to the claimant, already vulnerable.

Therefore, the Board recommends that for the plasticizers entering Canada under tariff item 92915-1 and subject to the claim by BASF Canada Inc., the GPT rate be not reduced to Free. For all other goods which enter Canada under tariff item 92915-1 and for which no claims of adverse impact were received, the Board recommends that the GPT rate be reduced to Free.

The claimant is also the sole Canadian producer of phthalic anhydride, classified under tariff item 92915-3 when imported. Over the years, extensive investment has been undertaken by BASF Canada Inc., in the required plant facilities to guarantee a continuous supply of the product.

Imports of this chemical from GPT countries have been sporadic and small in the recent past. They have not had an adverse impact upon the claimant so far. However, there is extensive evidence in GPT oil-producing countries of a build-up of petro-chemical industries which will soon be capable of producing phthalic anhydride in large quantity. Extensive exports will be required to dispose of the large production from these new world-scale plants.

The Board concludes that the available evidence leaves little doubt about injury which would result to the Canadian producer, already in a vulnerable position, should GPT imports increase under tariff item 92915-3 in the wake of a reduction in the GPT rate from 8 p.c. to Free, as proposed.

Therefore, the Board recommends that the GPT rate for tariff item 92915-3 be not reduced to Free.

Tariff Items 92916-1 and 93404-1

		GPT		
		<u>BP</u>	<u>MFN</u>	<u>Current</u> <u>Proposed</u>
92916 - Alcohol-acids, aldehyde-acids, ketone-acids, phenol-acids and other single or complex oxygen-function acids, and their anhydrides, acid halides, acid peroxides and peracids, and their halogenated, sulphonated, nitrated or nitrosated derivatives:				
92916-1	Other than the following	10 p.c.	14.1 p.c.	9 p.c. Free
	Effective1/1/87	10 p.c.	12.5 p.c.	8 p.c. Free

			GPT	
	<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
<u>92916-1</u>	<u>Temporary rate reduction</u>with the exception of the following:			
	Cholic acid;			
	Citric acid;			
	Dehydrocholic acid;			
	2,4-Dichlorophenoxy-acetic acid;			
	Dioctyl diglycollate			
	Glycerol tri-12-acylricionoleate;			
	3-beta-Hydroxy-5-cholenic acid;			
	12-Hydroxystearic acid;			
	Hyochoolic acid;			
	Hyodesoxycholic acid;			
	2-Methyl-4-chloro-phenoxyacetic acid;			
	Methyl ricinoleate;			
	Potassium citrate (tripotassium citrate);			
	Potassium tartrate, neutral;			
	Sodium citrate (trisodium citrate);			
	Sodium dehydrocholate;			
	2,4,5-Trichlorophenoxyacetic acid.....			
		Free		Free
	03/06/80 to 30/06/82			
	Goods admissible to free entry under British Preferential Tariff, for use only in the manufacture of goods described in headings 93901 to 93905 inclusive			
		Free		
	03/06/80 to 30/06/82			

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
<u>92916-1</u>	Goods admissible to				
(cont.)	free entry under				
	British Preferential				
	Tariff, for use in the				
	manufacture of addi-				
	tives for heating, lu-				
	bricating and fuel				
	oils				5 p.c.
	03/06/80 to 30/06/82				

93404 - Synthetic wax, waxes containing synthetic wax:

93404-1	Other than the following	8.8 p.c.	8.8 p.c.	5.5 p.c.	Free
	Effective1/1/87	6.8 p.c.	6.8 p.c.	4.5 p.c.	Free

Claimants:

1. Emery Industries Limited, for tariff item 92916-1, concerning 12-hydroxystearic acid
2. Canada Packers Inc., (Chemicals Division), as in (1)
3. Pfizer Canada Inc., for tariff item 92916-1 only, concerning "hydrous" and "anhydrous" citric acid and sodium citrate (trisodium citrate)
4. Union Carbide of Canada Limited, for tariff item 93404-1 only, concerning carbowaxes

Emery Industries Limited, and Canada Packers Inc., presented a claim of adverse impact if the GPT rate for 12-hydroxystearic acid were reduced from 9 p.c. to Free. The production of the two claimants comprises the entire output of this acid in Canada. The raw material is non-indigenous crude castor oil, which enters Canada under tariff item 92916-1 when imported in its pure form.

It was established by the Board, however, that when castor oil is mixed with other compounds so that the resulting product has the "properties of a wax", imports of such mixtures are classified under tariff item 93404-1. This tariff item was also referred to the Board. The analysis was, therefore, extended to 93404-1 as well, although no actual claim against that item was received. Imports of this acid, which enter Canada under 93404-1, are to the detriment of Canadian producers already concerned about imports of 12-hydroxystearic acid under 92916-1.

Brazil and India are the GPT countries involved in exporting this acid to Canada. The two countries are the main growers of castor beans and producers of crude castor oil as well as of its compounds. Imports from Brazil ceased after 1979 because of an earlier Anti-dumping ruling, but were replaced in 1980 by shipments from India. In that year, the share of the domestic market for 12-hydroxystearic acid supplied by such imports doubled.

The Board concludes that the recent penetration of the domestic market by GPT imports has already caused injury to Canadian producers. In particular, as the Board's research shows, imports entering under tariff item 93404-1, at 5.5 p.c. GPT, have contributed to this situation.

Therefore, the Board recommends that the current GPT rates for 12-hydroxystearic acid with respect to tariff items 92916-1 and 93404-1 be left unchanged.

The claim by Pfizer Canada Inc., concerns only citric acid (both hydrous and anhydrous) and sodium citrate (trisodium citrate), the imports of which are included under tariff item 92916-1. Pfizer Canada Inc., manufactures both citric acid and sodium citrate, apparently the only Canadian producer of these two chemicals.

The current situation in the domestic industry is related to prevailing world market conditions -- world capacity exceeds demand. The claimant's share of the domestic market has fallen significantly between 1975 and 1980. The company was partially successful in bringing dumping charges against its foreign competitors. However, all import competition comes from non-GPT countries. At present, there are no imports from GPT countries of citric acid in either form, nor of sodium citrate.

Pfizer Canada Inc., opposes the proposed duty-free status for citric acid and sodium citrate in view of the existing world-wide excess capacity. A number of foreign countries with over-capacity, the claimant reported, are each capable of supplying more than one-third, or even one-half, of the Canadian market from their excess capacity alone. Because of the current precarious nature of the domestic industry, any potential penetration by GPT imports of the Canadian market would have the effect of depressing selling prices to the point at which the claimant could no longer continue operating. Such penetration is likely to follow a reduction in the GPT rate from 9 p.c. to Free.

The Board is satisfied that the proposed reduction in the GPT rate from 9 p.c. to Free would likely affect the Canadian producer adversely in view of the current world over-capacity and the depth of the proposed cut. The Board, therefore, recommends that the GPT rate for citric acid (both hydrous and anhydrous) and sodium citrate (trisodium citrate) entering under tariff item 92916-1 be not reduced to Free.

With the exception of 12-hydroxystearic acid reviewed earlier, which also comes under the referred tariff item 92916-1, and in view of the fact that no further claims of adverse impact have been received concerning other goods entering under tariff item 92916-1, the Board recommends that for all other goods under this item the GPT be reduced to Free.

The claim of adverse impact by Union Carbide of Canada Limited was directed against the proposed reduction in the GPT rate applicable to imports of "carbowaxes" which enter under tariff item 93404-1. Specifically, polyethylene glycol "carbowaxes" are of concern.

Union Carbide of Canada Limited is reportedly the sole producer of solid carbowaxes in Canada. The market for carbowaxes has shown a relatively slow rate of growth in past years. However, as a result of recently developed new applications, considerable expansion of the market is expected. The claimant is gearing up for this growth by modernizing and increasing capacity, and by improving efficiency and productivity.

No GPT imports of carbowaxes have so far entered Canada. The claimant, however, is concerned about a threat of injury from future GPT imports in view of some evidence that certain GPT countries -- namely, Mexico, Brazil and the Republic of Korea -- appear to be establishing world-scale production of synthetic waxes.

The Board concludes, however, that the alleged threat is not imminent. Therefore, with the exception of 12-hydroxystearic acid reviewed earlier, the Board recommends that the GPT rate for tariff item 93404-1 be reduced to Free.

Tariff Item 93206-1

		BP	MFN	GPT	
				Current	Proposed
93206-1	93206 - Colour lakes	10 p.c.	14.1 p.c.	9 p.c.	Free
	Effective1/1/87	10 p.c.	12.5 p.c.	8 p.c.	Free

Claimants:

1. Dominion Colour Company Limited, concerning non-food grade colour lakes
2. Dyeco Limited, concerning food grade colour lakes

Dominion Colour Company Limited is the principal manufacturer of non-food grade organic and inorganic coloured pigments in Canada. The claimant is also in the process of establishing production of non-food colour

lakes, which would be threatened if the GPT were reduced to Free. Such a reduction, moreover, would also adversely affect the existing production of non-food pigment dyestuffs for which, for certain applications, colour lakes are substitutes. This substitutability extends to Red Lake C for which, pursuant to the Board's recommendation (Safeguard Petition No. 5) the GPT has been temporarily withdrawn from tariff item 93205-3, a non-referred item.

Imports from GPT countries of colour lakes have been negligible in the past. The Board concludes, however, that a reduction in the GPT rate from 9 p.c. to Free could increase imports to such an extent as to retard seriously, or even to prohibit, the commencement of domestic production of colour lakes and possibly injure the on-going production of pigment dyestuffs as well. On this latter point, if the GPT were reduced to Free, such a reduction would be at cross-purposes with the government's decision concerning Red Lake C.

Therefore, the Board recommends that the GPT rate for non-food grade colour lakes entering under tariff item 93206-1 be left unchanged.

Dyeco Limited, in contrast, entered a claim concerning a possible threat of adverse impact from GPT-country imports of food grade colour lakes entering under tariff item 93206-1. The colour lakes in question are allowed for use in foods under regulations of the Department of Health and Welfare. The claimant is already producing a range of such colour lakes, as the sole manufacturer in Canada. Additional new lines, moreover, are in the process of being developed.

It would appear that there are no GPT imports of food grade colour lakes. Nor are there any indications that production in GPT countries of a quality acceptable under Canadian health regulations exists, or is in the offing. The Board concludes that, as far as potential imports of food grade colour lakes are concerned, there is little or no evidence of an imminent threat.

Therefore, the Board recommends that the GPT rate for imports of food grade colour lakes under tariff item 93206-1 be reduced to Free.

Tariff Items 93901-81, 93902-81 and 93902-83

93901 - Condensation, polycondensation and polyaddition products, whether or not modified or polymerised, and whether or not linear (for example, phenoplasts, aminoplasts, alkyds, polyallyl esters and other unsaturated polyesters, silicones):

		GPT			
		BP	MFN	Current	Proposed
(g) Plates, sheets, film, sheeting, strip; lay-flat or other tubing, blocks, bars, rods, sticks, non-textile monofilament and other profile shapes imported in lengths, all produced in uniform cross-section:					
93901-81	Other than the following	16 p.c.	16 p.c.	10.5 p.c.	Free
	Effective1/1/87	13.5 p.c.	13.5 p.c.	9 p.c.	Free
<u>93901-81</u>	<u>Temporary rate reduction:</u>				
	Epoxies;				
	Melamine-formaldehydes;				
	Phenol-formaldehydes;				
	Polyamides;				
	Silicones;				
	Unsaturated polyesters;				
	Urea-formaldehydes	16 p.c.	16 p.c.	10.5 p.c.	
	Effective1/1/87	13.5 p.c.	13.5 p.c.	9 p.c.	
	Polycarbonate plate, sheet, film, sheeting and strip, not less than 0.03 inch and not more than 0.50 inch in thickness	10 p.c.	10 p.c.	6.5 p.c.	
	Polyethylene terephthalate film under six inches in width	7.5 p.c.	7.5 p.c.	5 p.c.	
	All other goods	Free	Free	Free	
	03/06/80 to 30/06/87				

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
93902 -	Polymerisation and copolymerisation products (for example, polyethylene, polytetrahaloethylenes, polyisobutylene, polystyrene, polyvinyl chloride, polyvinyl acetate, polyvinyl chloroacetate and other polyvinyl derivatives, polyacrylic and polymethacrylic derivatives, coumarone-indene resins):				
	(g) Plates, sheets, film, sheeting, strip; lay-flat or other tubing, blocks, bars, rods, sticks, non-textile monofilament and other profile shapes imported in lengths, all produced in uniform cross-section:				
93902-81	Other than the following	16 p.c.	16 p.c.	10.5 p.c.	Free
	Effective1/1/87	13.5 p.c.	13.5 p.c.	9 p.c.	Free
<u>93902-81</u>	<u>Temporary rate reduction:</u>				
	Acrylonitrile-butadiene-styrene type;				
	Polystyrene type, n.o.p.;				
	Polybutylene type tubing; (Effective 30 days after 27/11/80)				
	Polyvinyl chloride type, including polyvinyl chloroacetate;				
	Styrene-acrylonitrile type	16 p.c.	16 p.c.	10.5 p.c.	
	Effective1/1/87	13.5 p.c.	13.5 p.c.	9 p.c.	

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
<u>93902-81</u> (cont.)	Polytetrafluoroethy- lene type; Polyvinylidene chlo- ride film, other than for use in the packaging of goods for sale All other goods 03/06/80 to 30/06/87	10 p.c. Free	10 p.c. Free	6.5 p.c. Free	
93902-83	Polymethyl methacry- late type plates, sheets, film, sheet- ing and strip	10 p.c.	10 p.c.	6.5 p.c.	Free

Claimants:

1. The Society of the Plastics Industry of Canada, for all three tariff items
2. Durolam Limited, under tariff item 93901-81
3. Cyanamid Canada Inc., under tariff item 93901-81
4. Domtar Construction Materials/ARBORITE^(R) Products, under tariff item 93901-81
5. Armstrong World Industries Canada Ltd., under tariff item 93902-81
6. Canadian General-Tower Limited, under tariff item 93902-81

Counter-Claimant:

1. Design Dynamics Ltd., concerning goods under heading 93902

Tariff item 93901-81 covers all the primary shapes and forms of plastics specified in heading 93901 and subheading (g) thereto, excepting those goods which come under tariff items 93901-82 and 93901-84. These two tariff items, not referred to the Board, are also covered under subheading (g) but contain goods which differ in type from those entering under tariff item 93901-81.

The same applies to tariff item 93902-81. The goods which are classified to that item are all primary shapes and forms of plastic materials as defined by heading 93902 and by subheading (g) thereto, excepting goods classified to tariff items 93902-82, 93902-83, 93902-84, 93902-85 and 93902-86, all of which are encompassed by subheading (g) as well. Apart from 93902-81, of all the other tariff items under heading 93902, only tariff item 93902-83 was referred to the Board, concerning polymethyl methacrylate type plates, sheets, film, sheeting and strip.

The statutory rate under the GPT for both 93901-81 and 93902-81, effective January 1, 1982, is 10.5 p.c. However, under both tariff items the GPT rate for certain goods has, under authority of Section 12 of the Customs Tariff, been temporarily reduced to 6.5 p.c. and 5 p.c. and to Free. There are two issues involved: the impact of lowering the GPT rate of 10.5 p.c. to Free for goods excluded from the temporary rate reduction, and the provision of permanent free entry under the GPT for those goods whose GPT rates have temporarily been reduced. With respect to 93902-83, with a statutory GPT rate of 6.5 p.c., the Board was asked to consider free entry only.

The Society of the Plastics Industry of Canada expressed concern in its opening statement at the public hearing about the reduction in the statutory GPT rate to Free for all products covered by these three referred tariff items. The Society subsequently agreed, however, that permanent free entry under the GPT would not have an adverse impact on Canadian producers of the basic shapes of the type of goods currently entering Free under the temporary rate reduction. There is limited Canadian production of such goods and an absence of GPT imports, even at Free. This position was not contested by any of the individual claimants present.

Supporting its general position of non-extension of GPT benefits for all other products which are at present dutiable, the Society noted that the plastics products industry does not involve high technology. Its importance in a nation's economy is derived from the industry's position relative to the country's production of oil and gas and of petro-chemicals. The plastic products industry represents a major market outlet for the petro-chemical industry whose goods it uses for further upgrading. The plastics products industry, moreover, is one of the more rapidly growing sectors of Canadian manufacturing.

The Society also indicated that trade in the goods at issue reflects a considerable degree of specialization, with those produced in Canada being used domestically and exported, and being complemented by imports of those not available from domestic production. The Society's concern is that the proposed reduction to Free will lead to a rapid growth not of complementary but of competitive imports from GPT producers.

The Society emphasized that, because of readily available technology, new large-scale production capacity is being installed and existing facilities are being expanded outside of Canada. Production in a number of cases is also more backward-integrated than in Canada, whereby significant cost savings can be achieved. Frequently, moreover, development in such countries has been fostered by advantageous availability of raw materials. Capacity, in many cases, is greater than that installed in Canada. Furthermore, because of the limited size of local markets, the bulk of the output from such countries must be exported. It is the opinion of the Society that Canada would offer an attractive market for these plastics should the GPT rate be reduced unilaterally, as is proposed.

In addition to the general presentation of the Society, the Board also received product-specific submissions and briefs. One such case covered polymethyl methacrylate film, sheet and other basic forms entering under 93902-83, and acrylonitrile-butadiene-styrene type and styrene-acrylonitrile type shapes under 93902-81. The domestic market for acrylics is presently exposed to extensive import competition from all countries. It is evident, also, that GPT penetration of this market is most pronounced of all goods entering under the tariff items subject to the present claim. A reduction to Free would lead to a further deterioration of the position of Canadian producers, especially in view of the new capacity coming on-stream in GPT countries. Chemacryl Plastic Limited and Canadian General Electric Company Limited, both present at the public hearing concerning this tariff item, would be adversely affected, as well as other producers.

Canadian General-Tower Limited and Borden Chemicals claimed concerning vinyl products, including PVC and other vinyl compounds. Such goods are imported under 93902-81. Armstrong World Industries Canada Ltd., addressed the Board with respect to PVC laminated plastic tiles and asbestos-vinyl floor and wall tiles, which enter Canada under this tariff item as well.

Import penetration of Canadian markets for these goods is already extensive. Shipments from GPT countries are currently relatively small. However, future growth of such imports is expected as new capacity in GPT countries becomes operational. The potential is illustrated by a rapid expansion of imports from Taiwan, a non-GPT less developed country, which has recently established a PVC industry. The growth in PVC imports into Canada from Taiwan has occurred despite a relatively high MFN rate, which currently stands at 16 p.c.

Domtar Construction Materials/ARBORITE^(R) Products, Cyanamid Canada Inc., and Durolam Limited presented claims against extension of the GPT to Free for high pressure decorative phenol-formaldehyde and melamine-formaldehyde laminates imported under 93901-81.

Overall import penetration for these goods is significant but GPT imports are small and have recently shown a downward trend. However, Canadian producers are operating below capacity due to depressed domestic markets. Thus, any increase in GPT imports which would lead to a reduction in domestic production would raise per unit costs and so further adversely affect an industry which is already in a vulnerable position. The threat is imminent in the sense that the past level of GPT imports attests to the capacity in those countries to increase shipments with facility, especially at Free. To this, production from newly installed facilities would be added.

Dealing with the goods which were the subject of individual company presentations, the Board concludes that there is sufficient evidence of GPT imports at present to indicate that a reduction from 10.5 p.c. and 6.5 p.c. to Free would very likely have an adverse impact on Canadian producers.

The Board, therefore, recommends that under tariff item 93901-81 for melamine- and phenol-formaldehydes; and under tariff item 93902-81 for acrylonitrile-butadiene-styrene and styrene-acrylonitrile types, and for polyvinyl chloride type, including polyvinyl chloroacetate, the rate in force now of 10.5 p.c. be not reduced to Free. Furthermore, it is also recommended that the GPT rate of 6.5 p.c. for the polymethyl methacrylate type forms under tariff item 93902-83 be not reduced.

For those goods which are dutiable under the GPT, whether at a reduced rate or not, and which were not subject of representations by individual producers but included in the general brief of the Society of the Plastics Industry, the Board concludes that, by reason of virtually no GPT import penetration to date, there is no basis for not reducing the GPT rate. At the same time the Board is of the opinion, in view of the new production capacity coming on-stream in foreseeable future in GPT countries, that there is a real threat of injury to Canadian producers should the statutory rate be reduced to Free.

Therefore, the Board recommends that for epoxies, polyamides, silicones, unsaturated polyesters and urea-formaldehydes under tariff item 93901-81, as well as polystyrene type n.o.p., and polybutylene type tubing under tariff item 93902-81, the current rate of 10.5 p.c. be reduced to 6.5 p.c. instead of Free, as proposed.

For tariff item 93901-81, with respect to polycarbonate plate, sheet, film, sheeting and strip, not less than 0.03 inch and not more than 0.50 inch in thickness, and polyethylene terephthalate film under six inches in width, the Board recommends no reduction to Free in the currently applicable rates of 6.5 p.c. and 5 p.c., respectively. The same holds under tariff item 93902-81 for polytetrafluoroethylene type and polyvinylidene chloride film, other than for use in the packaging of goods for sale. The currently applicable rate of 6.5 p.c. should remain in force.

GPT countries should continue to have duty-free access for all other goods entering under tariff items 93901-81 and 93902-81, and, therefore, the Board recommends that for these goods the temporary rate of Free be made permanent.

Group II: Miscellaneous

Tariff Item 23600-1

23600-1 Surgical dressings, anti-septic or aseptic, including absorbent cotton, lint, lamb's wool, tow, jute, oakum, whether imported singly or in combination one with

		GPT		
		<u>BP</u>	<u>MFN</u>	<u>Current</u> <u>Proposed</u>
23600-1 (cont.)	another, but not stitched or otherwise manufactured; surgical trusses and suspensory bandages of all kinds; sanitary napkins, and abdominal supports	10 p.c.	19.1 p.c.	10 p.c. Free
	Effective1/1/87	10 p.c.	17.5 p.c.	10 p.c. Free

Claimants:

1. Johnson & Johnson Inc.
2. Kendall Canada, Division of CKR Inc.
3. McGaw Manufacturing, Division of McGaw Supply Ltd.
4. Smith & Nephew Inc.

The claims concern a potential threat of adverse impact if the current GPT rate of 10 p.c. were reduced to Free.

Canadian hospitals represent the main market for claimants' goods on whose behalf the claim of potential threat from GPT imports was presented. Hospital buyers have thus far expressed some preference for Canadian-made products for reasons of service convenience and quality, and also in view of the fact that Canadian prices were reasonably close to prices of comparable imported products. However, with current government cost-cutting programs being implemented, cost-pruning could well result in hospitals being forced to consider price at the expense of service and quality, and so turn to low cost imports.

Competitors in GPT countries have developed world-scale supply facilities. Competing lines can be offered at low prices because production is labour intensive and GPT countries have the advantage of low labour costs. Moreover, quality controls which add to production costs are -- apparently -- less stringent in GPT countries, thereby providing yet another possibility of maintaining low costs. These factors, taken together, place potential GPT competitors at an advantage relative to Canadian suppliers of the domestic market.

With respect to most of the goods under the referred tariff item, GPT imports have so far been relatively small but are rising rapidly. Moreover, representatives of GPT countries have recently been contacting Canadian producers and distributors with competitive offers of numerous types of goods, even at the current GPT rate.

The Board concludes that the threat is imminent of a rapid increase in GPT imports entering under this tariff item which would result in an adverse impact on Canadian producers, should such imports be given an additional advantage of Free entry.

Therefore, the Board recommends that the GPT rate of 10 p.c. for tariff item 23600-1 be not reduced to Free.

Tariff Items 41105-1 and 41105-2

		<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
				<u>Current</u>	<u>Proposed</u>
41105-1	Self-propelled trucks, not including machines for felling, skidding, piling, loading, bunching or processing trees or logs, which have been modified for carrying a load; parts of all the foregoing; all the foregoing for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump, or common or other carrier	10 p.c.	11.3 p.c.	7.5 p.c.	Free
	Effective1/1/87	9.2 p.c.	9.2 p.c.	6 p.c.	Free
41105-2	Logging cars; captive balloons; blocks and tackle; wire rope, not including wire rope to be used for guy ropes or in braking logs going down grade; parts of the foregoing; all the foregoing for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump, or common or other carrier	10 p.c.	10.8 p.c.	7 p.c.	Free
	Effective1/1/87	8 p.c.	8 p.c.	5 p.c.	Free

Claimants:

1. Greening Donald Co. Ltd.
2. Martin-Black Inc.
3. Wire Rope Industries Ltd.
4. Wrights Canadian Ropes Ltd., all concerning steel wire rope
5. Asbestonos Corporation Limited
6. Raybestos Canada Inc., concerning brake linings and clutch facings

Greening Donald Co. Ltd., Martin-Black Inc., Wire Rope Industries Ltd., and Wrights Canadian Ropes Ltd., presented a claim of adverse impact concerning steel wire rope for use in logging. Steel wire rope for use in logging entered until 1980 under tariff item 41105-1. Tariff item 41105-2 was created subsequently, to which steel wire rope is now being classified when imported. For this reason, therefore, the present claim concerning wire rope covers only 41105-2, for which a reduction from 7 p.c. to Free is proposed.

Asbestonos Corporation Limited and Raybestos Canada Inc., in contrast, claimed under tariff items 41105-1 and 41105-2 with respect to brake linings and clutch facings. The latter two claims were presented jointly with the claim by the Automotive Parts Manufacturers' Association concerning tariff item 43833-1, reviewed next. However, the portions of the claims by Asbestonos Corporation Limited and Raybestos Canada Inc., which concern tariff items 41105-1 and 41105-2 are treated here, together with other claims under tariff item 41105-2.

The four wire rope producers presenting the claim comprise most of the domestic industry. Because of rising overall import penetration, the total Canadian market for steel wire rope, in volume terms, grew in recent years about twice as rapidly as shipments by Canadian manufacturers. GPT imports expanded at a rate about five times as rapid as total Canadian market for steel wire rope. By 1980, moreover, such imports amounted to well over one-third of the Canadian market and accounted for a major portion of imports of steel wire rope from all countries. The strength of import competition is further evidenced by the fact that GPT imports grew in 1980 as the domestic market declined. In fact, in absolute terms, GPT imports in 1980 were equal to more than two-thirds of the volume of domestic shipments by Canadian producers.

The Board concludes that GPT imports have already injured Canadian producers. Moreover, further adverse impact, in the light of the proposed reduction from 7 p.c. to Free, can be expected when the recent growth in GPT imports at current rates is taken into account.

The Board, therefore, recommends that the GPT rate for steel wire rope for use in logging under tariff item 41105-2 be not reduced.

In reviewing claims by Asbestonos Corporation Limited and Raybestos Canada Inc., concerning GPT imports of brake linings and clutch facings under tariff items 41105-1 and 41105-2 for use in logging, it was found that the logging market forms only a small portion of the total market for brake linings and clutch facings. In addition, in recent years there were very few shipments of these goods from less developed countries to which the benefits of the preferential scheme extend. Furthermore, there was little evidence to lead the Board to believe that such imports would rise rapidly should the GPT rate be reduced as proposed.

The Board, thus, concludes that Canadian producers have so far not been injured by GPT imports of brake linings and clutch facings under these tariff items, and that it is unlikely that such imports could increase sufficiently in the near future so as to present a threat to Canadian producers.

Inasmuch as there were no claims of adverse impact concerning other goods which enter Canada under these tariff items, the Board recommends that, steel wire rope excepting, for all goods under tariff items 41105-1 and 41105-2, including brake linings and clutch facings, the GPT rate be reduced to Free.

Tariff Item 43833-1

		GPT	
		<u>Current</u>	<u>Proposed</u>
	<u>BP</u>	<u>MFN</u>	
Brake lining and clutch facings, whether or not including metallic wires or threads, for automobiles, motor vehicles, electric trackless trolley buses, fire fighting vehicles, ambulances and hearses, or chassis enumerated in tariff items 42400-1 and 43803-1:			
43833-1	When made wholly or in part from crude asbestos, n.o.p.	15 p.c.	16.7 p.c.
		11 p.c.	Free
	Effective1/1/87	11.3 p.c.	11.3 p.c.
		7.5 p.c.	Free

Claimants:

1. APMA, Automotive Parts Manufacturers' Association on behalf of:
 - *Canparts Automotive International Ltd.
 - *Certified Brakes - A Lear Siegler Company
 - *Distex-SNA, Inc.
 - Mintex Canada Limited
2. Asbestonos Corporation Limited
3. Raybestos Canada Inc.

Counter-Claimants:

1. Quebec Trailer Inc.
2. United Alternator and Starter Limited

Firms with (*), in addition to being represented by APMA, also submitted a claim in their own right. Asbestonos Corporation Limited and Raybestos Canada Inc., not members of APMA, claimed against tariff items 41105-1 and 41105-2 as well, which were treated separately earlier.

The goods at issue under tariff item 43833-1 are brake linings and clutch facings made in whole or in part from asbestos which originates outside of the British Commonwealth. Goods made abroad with Canadian asbestos and imported subsequently into Canada are, therefore, excluded under 43833-1. Under this tariff item, moreover, imports of linings and clutch facings made predominantly of metal are also included. These are relatively new products, in the manufacturing and development of which some of the claimants are taking part.

However, brake linings and clutch facings made of asbestos of British Commonwealth origin enter at Free under tariff item 43832-1. The relevant goods made with Canadian asbestos are imported under this heading. This tariff item was not referred to the Board. As will be shown later, though, it had to be taken into account in analysis.

The claim of adverse impact concerned goods under tariff item 43833-1, for which the GPT rate is proposed to be reduced from 11 p.c. to Free. In contrast, counter-claimants agreed with the proposed reduction in duty.

As mentioned, APMA presented a covering claim on behalf of association members noted earlier who produce clutch facings and brake linings, some of whom also submitted briefs to the Board in their own right. It was reported that at least one of APMA's members did not enter a claim against the proposed reduction to Free because its multinational parent company is currently constructing a plant in Mexico for the production of brake linings and clutch facings.

Brake linings and clutch facings can enter by "end-use" under many tariff items other than the referred item 43833-1, as in the case of 41105-1 and 41105-2 reviewed earlier. In addition, if destined for the "original equipment automotive market" as opposed to the "automotive after-market", such goods enter at Free regardless of the country of origin, provided they are imported by a manufacturer producing original equipment.

The claim refers to the after-market only. The producers on whose behalf APMA submitted the claim do not extensively supply the automotive original equipment market, where, as already mentioned, goods enter at Free. In addition, Asbestonos Corporation Limited and Raybestos Canada Inc., also expressed concern about "non-automotive brake linings and clutch facings". However, such goods do not come under the referred tariff item and so shall not be treated here any further.

The domestic automotive after-market for linings and facings appears to be growing rapidly reflecting the fact that sales of new vehicles (original equipment market) are weak so that the existing stock of vehicles requires more extensive maintenance (the after-market). The industry is also an aggressive exporter. To maintain this stance, a well-developed domestic market is required, the industry claims.

There is little evidence of GPT imports under the referred tariff item 43833-1. However, rapidly growing GPT imports of the goods subject to the claim enter Canada under non-referred tariff item 43832-1. This item applies to imports of brake linings and clutch facings made from asbestos of British Commonwealth origin, to a large extent from Canada.

Moreover, in addition to the capacity abroad already on-stream, GPT countries are reported to be engaged in further expansion. Since such expansion is to a large degree export-oriented, the claimants were concerned about the potential threat such additions to capacity abroad contain should the GPT rate be reduced from 11 p.c. to Free. To-date, however, they do not claim to have suffered actual injury from GPT imports of brake linings and clutch facings.

The Board concludes that there is a real threat of a significant increase in GPT imports of brake linings and clutch facings should the GPT rate be reduced from 11 p.c. to Free. The Board took account of the reported expansion of capacity in GPT countries. In addition, there is evidence in the recent rapid growth in GPT imports of brake linings and clutch facings under tariff item 43832-1 of a real potential for a similar increase under 43833-1. The Board further concludes that the reduction in the GPT rate would remove the incentive under tariff item 43832-1 to foreign manufacturers of brake linings and clutch facings to use Canadian (Commonwealth) asbestos.

The Board, therefore, recommends that the GPT rate for tariff item 43833-1 be not reduced to Free.

Tariff Item 60600-1

		<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
				<u>Current</u>	<u>Proposed</u>
60600-1	Leather produced from East India tanned kip, n.o.p.	16.7 p.c.	16.7 p.c.	11 p.c.	Free
	Effective1/1/87	11.3 p.c.	11.3 p.c.	7.5 p.c.	Free

Claim Entered in Support of the Proposal:

1. Tanners Association of Canada

The Association supported the proposed reduction of the GPT rate to Free for tariff item 60600-1, provided that the description of goods entering under this item clearly identifies the goods involved. The leather hides of concern must be from immature bovine animals. The measurements of the whole hide should be between ten and twenty square feet. The leather must originate in East India and originally, preferably, be vegetable tanned there as well. This leather may be chrome re-tanned, or cut, in any other country, provided that the documentation is such as to make its origin and the original tanning process evident. These detailed specifications are required in order to avoid misclassifications as a result of which shipments of hides not of East India origin could possibly benefit from the GPT rate.

The Board duly noted the detailed description and, in the absence of any claims of adverse impact, recommends that the GPT rate for tariff item 60600-1 be reduced to Free.

THE BOARD'S RECOMMENDATIONS CONCERNING TARIFF ITEMS FOR WHICH NO CLAIMS WERE RECEIVED

In reviewing tariff items for which no claims were received, the Board's analysis of imports and production, and the depth of the proposed reduction, disclosed several cases where available statistical evidence led the Board to conclude that in all reasonable likelihood a reduction to Free would adversely affect Canadian producers. All these tariff items fall under Group II, or items already in the GPT system.

For the tariff items listed next, the Board recommends on this basis that the GPT rate be not reduced to Free, i.e., that the existing rate structure remain unchanged.

Group II: Glass Products

Tariff Items 32305-1, 32606-1 and 32612-1

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
32305-1	Mirrors of glass, bevelled or not, and framed or not, n.o.p.	15 p.c.	15 p.c.	10 p.c.	Free
	Effective1/1/87	11.3 p.c.	11.3 p.c.	7.5 p.c.	Free
32606-1	Glass tableware, n.o.p....	10 p.c.	20 p.c.	10 p.c.	Free
32612-1	Cut glass tableware and cut glassware, n.o.p....	10 p.c.	16.7 p.c.	10 p.c.	Free
	Effective1/1/87	10 p.c.	11.3 p.c.	7.5 p.c.	Free

Group II: Chemicals

Tariff Items 92935-1 and 92944-1

92935 - Heterocyclic compounds;
nucleic acids:

92935-1	Other than the following	10 p.c.	14.1 p.c.	9 p.c.	Free
	Effective1/1/87	10 p.c.	12.5 p.c.	8 p.c.	Free

92935-1 Temporary rate reductionwith the exception of the following:

Adrenochrome semi-carbazone;
N-tert butyl-2-benzothiazole sulphenamide;
Chlorpromazine hydrochloride;
N-Cyclohexyl-2-benzothiazole sulphenamide;

		<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
				<u>Current</u>	<u>Proposed</u>
<u>92935-1</u> (cont.)	Dibenzothiazolyl di- sulphide (Benzo- thiazyl disul- phide); 2,5-Diphenyloxazole (PPO); 6-Ethoxy-1,2-dihy- dro-2,2,4-trime- thyl quinoline; Furazolidone; Maleic hydrazide; 2-Mercaptobenzothi- azole; Phenylazo-diamino- pyridine hydro- chloride; Phenylbiphenyloxa- diazole (PBD; 2- phenyl-5-(4-bi- phenyl)-1,3,4- oxadiazole); 1,4-bis-2-(5-Phenyl- oxazolyl)-benzene (POPOP); Piperazine phos- phate; Warfarin; Zinc mercaptobenzo- thiazole..... 03/06/80 to 30/06/82				
		Free		Free	
	Goods admissible to free entry under British Preferential Tariff, for use only in the manufacture of goods described in headings 93901 to 93905 inclusive 03/06/80 to 30/06/82		Free		

		GPT			
		<u>BP</u>	<u>MFN</u>	<u>Current</u>	<u>Proposed</u>
<u>92935-1</u> (cont.)	Goods admissible to free entry under British Preferential Tariff, for use in the manufacture of additives for heating, lubricating and fuel oils 03/06/80 to 30/06/82		5 p.c.		
92944 - Antibiotics:					
92944-1	Other than the following	10 p.c.	10 p.c.	6.5 p.c.	Free
	Effective1/1/87	9.2 p.c.	9.2 p.c.	6 p.c.	Free
<u>92944-1</u>	<u>Temporary rate reduction</u>with the exception of the following: Penicillin and its derivatives (not including crude penicillin); Tetracycline and its derivatives..... 03/06/80 to 30/06/82	Free		Free	
	Goods admissible to free entry under British Preferential Tariff, for use only in the manufacture of goods described in headings 93901 to 93905 inclusive 03/06/80 to 30/06/82		Free		
	Goods admissible to free entry under British Preferential Tariff, for use in the manufacture of additives for heating, lubricating and fuel oils 03/06/80 to 30/06/82		5 p.c.		

Group II: Miscellaneous

Tariff Item 22600-1

22600-1	Candles	15 p.c.	16.7 p.c.	11 p.c.	Free
	Effective1/1/87	11.3 p.c.	11.3 p.c.	7.5 p.c.	Free

Group II: Glass Products

Tariff Item 32701-1:

		<u>BP</u>	<u>MFN</u>	<u>GPT</u>	
				<u>Current</u>	<u>Proposed</u>
32701-1	Shapes of glass or plastic for use in the manufac- ture of spectacle and eyeglass lenses	10 p.c.	12.5 p.c.	8 p.c.	Free
	Effective1/1/87	10 p.c.	10.2 p.c.	6.5 p.c.	Free

For this tariff item, the Board recommends that for shapes of glass the GPT rate be not reduced to Free; but that the GPT rate for shapes of plastic be reduced to Free, as proposed.

For all other tariff items for which the Board did not receive any claims, the Board recommends a reduction to Free. To avoid repetition, these items are listed in the Summary section only. Should Canadian producers be adversely affected as a result of such reduction, they may petition the Board for safeguard action apart from seeking redress through actions under the Anti-dumping Act and/or the Countervailing Duty Regulations, if applicable.

SUMMARY OF RECOMMENDATIONS

TARIFF ITEMS FOR WHICH THE BOARD RECEIVED CLAIMS

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group I: Agricultural Products</u>				
7803-1 Hydrangeas and other pot- grown plants, n.o.p.; buds, scions and other stock for grafting or budding purposes, n.o.p.; bulbs, corms, tubers, rhizomes and dormant roots, n.o.p. ..	Free	11.6 p.c.	-	Free
Tobacco, unmanufactured, for ex- cise purposes under conditions of the <u>Excise Act</u> , subject to such regulations as may be pres- cribed by the Minister:				
N.o.p.:				
14203-2 ^{a/} <u>Unstemmed, when im- ported by cigar manufac- turers for use exclusi- vely in the manufacture of cigars in their own factoriesper pound</u>	<u>12.5 cts.</u>	<u>12.5 cts.</u>	-	8.33 cts.
14305-1* Cigars, the weight of the bands and ribbons to be included in the weight for dutyper pound	\$1.45	\$1.45	-	96.72 cts.
and	10 p.c.	10 p.c.	-	6.5 p.c.

Notes:

a/ The duty under the noted item shall be levied on the basis of "Standard leaf tobacco" consisting of ten per cent of water and ninety per cent of solid matter.

*/ Section 21, of the Customs Tariff provides for an additional duty which is equivalent to the excise duty.

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group I: Liquors/Spirits, etc.</u>				
15605-1* Whiskeyper gallon of the strength of proof	38.8 cts.	38.8 cts.	-	25.9 cts.
15610-1* Ginper gallon of the strength of proof	38.8 cts.	38.8 cts.	-	25.9 cts.
15630-1* Spirituous or alcoholic liquors, n.o.p.; ab- sinthe, arrack or palm spirit, artificial brandy and imitations of brandy, n.o.p.; cordials of all kinds, n.o.p.; mescal, pulque, rum shrub, schiedam and other schnapps; tafia, and alcoholic bitters or beverages, n.o.p.; and wines, n.o.p., contain- ing more than forty per cent of proof spirit ... per gallon of the strength of proof	81.3 cts.	81.3 cts.	-	54.2 cts.
15635-1* Vodka ...per gallon of the strength of proof	81.3 cts.	81.3 cts.	-	54.2 cts.

Note:

*/ Section 21, of the
Customs Tariff provides
for an additional duty
which is equivalent to
the excise duty.

Group I: Electrical

44542-1 Electron tubes, except
X-ray tubes;

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
44542-1 (cont.)	Bases, beaded assemblies, cages, guns, mounts, stems and wire-wound grids, all for use in the manufacture of elec- tron tubes, except X-ray tubes	Free	12.8 p.c.	-	Held back pending Reference 160
<u>Group II: Liquors/Spirits, etc.</u>					
15615-1*	Rum, n.o.p.per gallon of the strength of proof	50 cts.	\$1.63		Free
	Delete: <u>The produce of a country</u> <u>accorded the benefits</u> <u>of the British Prefe-</u> <u>rential Tariff</u> <u>per gallon of the</u> <u>strength of proof</u>			Free	
	<u>The produce of a country</u> <u>accorded the benefits</u> <u>of the Most-Favoured-</u> <u>Nation Tariff</u> <u>per gallon of the</u> <u>strength of proof</u>			\$1.50	
15620-1*	Brandyper gallon of the strength of proof	81.3 cts.	81.3 cts.	50 cts.	Free

Note:

*/ Section 21, of the
Customs Tariff provides
for an additional duty
which is equivalent to
the excise duty.

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group II: Building Materials/Products</u>					
	Tarred paper and prepared roofings (including shingles), fibre- board, strawboard, sheathing and insulation, manufactured wholly or in part of vegetable fibres, n.o.p.; blotting paper, not printed nor illustrated:				
19200-1	Other than the following..	12.8 p.c.	12.8 p.c.	8.5 p.c.	Free
	Except				
	Products manufactured wholly or in part of vegetable fibre, designed for ceiling use, n.o.p.				8.5 p.c.
19200-2	Building papers and building paper felts, whether or not coated or saturated, not cut to size or shape; fibreboard, straw- board, sheathing and insulation, manufactured wholly or in part of vegetable fibres, n.o.p., not cut to size or shape; blotting paper, not cut to size or shape	11.8 p.c.	11.8 p.c.	7.5 p.c.	Free
	Except				
	Products manufactured wholly or in part of vegetable fibre, designed for ceiling use, n.o.p., not cut to size				7.5 p.c.

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
28900-1	Baths, bathtubs, basins, closets, closet seats and covers, closet tanks, lavatories, uri- nals, sinks and laundry tubs of earthenware, stone, cement, clay or other material, n.o.p...	12.5 p.c.	15 p.c.	10 p.c.	Free
	Except Vitreous china toilet bowls and tanks, and bowl-tank combinations thereof				10 p.c.

Group II: Papers/Paper Products/Printed Matter

17800-1 Advertising and printed
matter, viz.: Adver-
tising pamphlets, adver-
tising show cards, il-
lustrated advertising
periodicals; price
books, catalogues and
price lists; advertising
almanacs and calendars;
patent medicine or other
advertising circulars,
fly sheets or pamphlets;
advertising chromos,
chromotypes, oleographs
or like work produced by
any process other than
hand painting or draw-
ing, and having any ad-
vertisement or adverti-
sing matter printed, li-
thographed or stamped
thereon, or attached
thereto, including ad-
vertising bills, folders

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
17800-1 (cont.)	and posters, or other similar artistic work, lithographed, printed or stamped on paper or cardboard for business or advertisement purposes, n.o.p. per pound but not less than	5 cts. -	6.25 cts. 23.1 p.c.	5 cts. -	Free
17900-1	Labels for cigar boxes, fruits, vegetables, meats, fish, confectionery or other goods or wares; shipping, price or other tags, tickets or labels, and railroad or other tickets, whether lithographed or printed, or partly printed, n.o.p.; the foregoing not including labels of textile fibres or filaments	15.7 p.c.	16.7 p.c.	11 p.c.	Free

Tickets issued by railway systems in the British Commonwealth (not including railway systems operating in Canada), shall be exempt from customs duty, when produced in countries entitled to the benefits of the British Preferential Tariff.

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
18000-1	Photographs, chromos, chromotypes, artotypes, oleographs, paintings, drawings, pictures, en- gravings or prints or proofs therefrom, and similar works of art, n.o.p.	12.5 p.c.	16.7 p.c.	11 p.c.	Free
18030-1	Plans and drawings, re- lated specifications, any substitute therefor, reproductions of the foregoing, n.o.p.; maps and charts, n.o.p.	12.5 p.c.	14.8 p.c.	9.5 p.c.	Free
18100-1	Banks notes, bonds, bills of exchange, cheques, promissory notes, drafts and all similar work, unsigned, and cards or other commercial blank forms printed or litho- graphed, or printed from steel or copper or other plates; printed matter, n.o.p.	15.7 p.c.	16.7 p.c.	11 p.c.	No Change
18105-1	Pictorial post-cards, greeting cards and simi- lar artistic cards or folders	15 p.c.	16.7 p.c.	11 p.c.	No Change
18200-1	Music for mechanical piano players	5 p.c.	6.8 p.c.	4.5 p.c.	Free

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group II: Chemicals</u>					
92915 - Polyacids and their anhydrides, acid halides, acid peroxides and peracids, and their halogenated, sulphonated, nitrated or nitrosated derivatives:					
92915-1	Other than the following	10 p.c.	14.1 p.c.	9 p.c.	Free
	Except				
	Butyl-2-ethylhexyl phthalate (butyl octyl phthalate);				
	Butyl isodecyl phthalate;				
	Butyl isooctyl phthalate;				
	Dibutyl maleates;				
	Dibutyl phthalates;				
	Didecyl phthalate;				
	Di-(2-ethylbutyl) phthalate;				
	Di-(2-ethylhexyl) adipate;				
	Di-(2-ethylhexyl) azelate (dioctyl azelate);				
	Di-(2-ethylhexyl) sebacate (dioctyl sebacate);				
	Di-isodecyl adipate;				
	Di-isodecyl phthalate;				
	Di-isooctyl adipate;				
	Di-isooctyl phthalate;				
	Dinonyl phthalate;				

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
92915-1 (cont.)	Di-(2-octyl) phtha- late (dicapryl phthalate); Ditridecyl phtha- late; 2-Ethylhexyl n-decyl phthalate; n-Octyl n-decyl adi- pate; n-Octyl n-decyl phthalate; Tri-(2-ethylhexyl) trimellitate				9 p.c.
	Delete Free rate under the GPT oppo- site <u>Temporary rate reduction.</u>				
92915-3	Phthalic anhydride	10 p.c.	12.5 p.c.	8 p.c.	No Change
92916 -	Alcohol-acids, aldehyde- acids, ketone-acids, phenol- acids and other single or complex oxygen-function acids, and their anhydrides, acid halides, acid peroxides and peracids, and their halogen- ated, sulphonated, nitrated or nitrosated derivatives:				
92916-1	Other than the follow- ing	10 p.c.	14.1 p.c.	9 p.c.	Free

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
92916-1 (Cont.)	Except Citric acid; 12-Hydroxystearic acid; Sodium citrate (tri- sodium citrate) .. Delete Free rate under the GPT oppo- site <u>Temporary rate</u> <u>reduction.</u>				9 p.c.
93206-1	93206 - Colour lakes	10 p.c.	14.1 p.c.	9 p.c.	Free
	Except Non-food grades				9 p.c.
93404	- Synthetic wax; waxes con- taining synthetic wax:				
93404-1	Other than the follow- ing	8.8 p.c.	8.8 p.c.	5.5 p.c.	Free
	Except 12-Hydroxystearic acid				5.5 p.c.
93901	- Condensation, polyconden- sation and polyaddition pro- ducts, whether or not modified or polymerised, and whether or not linear (for example, phe- noplasts, aminoplasts, alkyds, polyallyl esters and other un- saturated polyesters, sili- cones):				

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
	(g) Plates, sheets, film, sheeting, strip; lay-flat or other tubing, blocks, bars, rods, sticks, non- textile monofilament and other profile shapes imported in lengths, all produced in uniform cross- section:				
93901-81	Other than the follow- ing	16 p.c.	16 p.c.	10.5 p.c.	Free
	Except				
	Melamine-formalde- hydes;				
	Phenol-formalde- hydes			10.5 p.c.	No Change
	Epoxies;				
	Polyamides;				
	Silicones;				
	Unsaturated poly- esters;				
	Urea-formaldehydes..			10.5 p.c.	6.5 p.c.
	Polycarbonate plate, sheet, film, sheeting and strip, not less than 0.03 inch and not more than 0.50 inch in thickness			6.5 p.c.	No Change

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
93901-81 (cont.)	Polyethylene tere- phthalate film under six inches in width			5 p.c.	No Change
	Delete all rates under the GPT oppo- site <u>Temporary rate reduction.</u>				
93902 -	Polymerisation and copoly- merisation products (for ex- ample, polyethylene, polyte- trahaloethylenes, polyisobu- tylene, polystyrene, poly- vinyl chloride, polyvinyl acetate, polyvinyl chloroace- tate and other polyvinyl deri- vatives, polyacrylic and poly- methacrylic derivatives, cou- marone-indene resins):				
	(g) Plates, sheets, film, sheeting, strip; lay-flat or other tubing, blocks, bars, rods, sticks, non-textile monofi- lament and other profile shapes im- ported in lengths, all produced in uni- form cross-section:				
93902-81	Other than the follow- ing	16 p.c.	16 p.c.	10.5 p.c.	Free

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
93902-81 (cont.)	Except Acrylonitrile-buta- diene-styrene type; Polyvinyl chloride type, including polyvinyl chloro- acetate; Styrene-acryloni- trile type			10.5 p.c.	No Change
	Polystyrene type, n.o.p.; Polybutylene type tubing			10.5 p.c.	6.5 p.c.
	Polytetrafluoroethy- lene type; Polyvinylidene chlo- ride film, other than for use in the packaging of goods for sale ...			6.5 p.c.	No Change
	Delete all rates under the GPT oppo- site <u>Temporary rate reduction.</u>				
93902-83	Polymethyl methacry- late type plates, sheets, film, sheet- ing and strip	10 p.c.	10 p.c.	6.5 p.c.	No Change

Group II: Miscellaneous

23600-1 Surgical dressings, anti-
septic or aseptic, in-
cluding absorbent cot-
ton, lint, lamb's wool,
tow, jute, oakum, whe-
ther imported singly or

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
23600-1 (cont.)	in combination one with another, but not stitched or otherwise manufactured; surgical trusses and suspensory bandages of all kinds; sanitary napkins, and abdominal supports	10 p.c.	19.1 p.c.	10 p.c.	No Change
41105-1	Self-propelled trucks, not including machines for felling, skidding, piling, loading, bunching or processing trees or logs, which have been modified for carrying a load; parts of all the foregoing; all the foregoing for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump, or common or other carrier	10 p.c.	11.3 p.c.	7.5 p.c.	Free
41105-2	Logging cars; captive balloons; blocks and tackle; wire rope, not including wire rope to be used for guy ropes or in braking logs going down grade; parts of the foregoing; all the foregoing for use exclusively in the operation of logging, such operation to include the removal of the log from stump to skidway, log dump, or common or other carrier	10 p.c.	10.8 p.c.	7 p.c.	Free
	Except Steel wire rope				7 p.c.

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
Brake lining and clutch facings, whether or not including metallic wires or threads, for automobiles, motor vehicles, electric trackless trolley buses, fire fighting vehicles, ambulances and hearses, or chassis enumerated in tariff items 42400-1 and 43803-1:					
43833-1	When made wholly or in part from crude asbestos, n.o.p.	15 p.c.	16.7 p.c.	11 p.c.	No Change
60600-1	Leather produced from East India tanned kip, n.o.p.	16.7 p.c.	16.7 p.c.	11 p.c.	Free

TARIFF ITEMS FOR WHICH THE BOARD DID NOT RECEIVE ANY CLAIMS

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group II: Glass Products</u>					
32305-1	Mirrors of glass, bevelled or not, and framed or not, n.o.p.	15 p.c.	15 p.c.	10 p.c.	No Change
32606-1	Glass tableware, n.o.p. ..	10 p.c.	20 p.c.	10 p.c.	No Change
32612-1	Cut glass tableware and cut glassware, n.o.p. ..	10 p.c.	16.7 p.c.	10 p.c.	No Change
32701-1	Shapes of glass or plastic for use in the manufac- ture of spectacle and eyeglass lenses	10 p.c.	12.5 p.c.	8 p.c.	Free
	Except Shapes of glass				8 p.c.
<u>Group II: Chemicals</u>					
92935 - Heterocyclic compounds; nucleic acids:					
92935-1	Other than the follow- ing	10 p.c.	14.1 p.c.	9 p.c.	No Change
92944 - Antibiotics:					
92944-1	Other than the follow- ing	10 p.c.	10 p.c.	6.5 p.c.	No Change
<u>Group II: Miscellaneous</u>					
22600-1	Candles	15 p.c.	16.7 p.c.	11 p.c.	No Change

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
<u>Group I: Agricultural Products</u>					
Tobacco, unmanufactured, for ex- cise purposes under conditions of the <u>Excise Act</u> , subject to such regulations as may be pres- cribed by the Minister:					
N.o.p.:					
14203-1*	^{a/} Unstemmedper pound	17.28 cts.	17.28 cts.	-	Free
14204-1*	^{a/} Stemmedper pound	26.3 cts.	26.3 cts.	-	Free
14204-2*	^{a/} <u>Stemmed, when imported by cigar manufacturers for use exclusively in the manufacture of cigars in their own factories per pound</u>	<u>20 cts.</u>	<u>20 cts.</u>	-	Free
14210-1*	^{a/} Converted tobacco leaf for use in the manufac- ture of cigar binders and cigar wrappers per pound	65.6 cts.	65.6 cts.	-	Free
14315-1*	Cigarettes	23.1 p.c.	23.1 p.c.	-	Free
14500-1*	Manufactured tobacco, n.o.p.per pound	55 cts.	70 cts.	-	Free

Notes:

a/ The duty under items noted shall be levied on the basis of "Standard leaf tobacco" consisting of ten per cent of water and ninety per cent of solid matter.

*/ Section 21, of the Customs Tariff provides for an additional duty which is equivalent to the excise duty.

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
27825-1	Oils, hydrogenated, blown or dehydrated, not in- cluding blown or hydro- genated fish, seal or whale oils	12.5 p.c.	17.5 p.c.	-	Free
<u>Group I: Liquors/Spirits, etc.</u>					
16810-1	Vinegar	10 p.c.	15 p.c.	-	Free
<u>Group II: Other Agricultural Products</u>					
1210-1	Sausage casings, synthe- tic, of paper	10 p.c.	15 p.c.	10 p.c.	Free
7910-1	Orchids, natural, cut, whether in designs or bouquets or not	Free	25 p.c.	12.5 p.c.	Free
	Vegetable oils, other than crude or crude degummed:				
27731-1	Cocoanut	12.5 p.c.	17.5 p.c.	12.5 p.c.	Free
<u>Group II: Liquors/Spirits, etc.</u>					
Alcoholic perfumes:					
16001-1	When in bottles or flasks containing not more than four ounces each ..	16.3 p.c.	16.3 p.c.	10.5 p.c.	Free
16002-1	When in bottles, flasks or other packages, contain- ing more than four ounces each ..per gallon	\$4.00	-	-	
	and	-	16.7 p.c.	11 p.c.	Free
	but not more than, per gallon	-	-	\$4.00	Free

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
Perfumed spirits, bay rum, cologne and lavender waters, lotions, hair, tooth and skin washes, and other toilet preparations containing spirits of any kind:					
16101-1	When in bottles or flasks containing not more than four ounces each ..	15 p.c.	15 p.c.	10 p.c.	Free
16102-1	When in bottles, flasks or other packages, containing more than four ounces each	15 p.c.	15 p.c.	10 p.c.	Free
	but not more than, per gallon	\$2.00	-	\$2.00	Free
23300-1	Pomades, French or flower odours, preserved in fat or oil for the purpose of conserving the odours of flowers which do not bear the heat of distillation, when imported in tins of not less than ten pounds each	10 p.c.	10.8 p.c.	7 p.c.	Free
<u>Group II: Building Materials/Products</u>					
19500-1	Hanging paper, n.o.p., or wall papers, including borders or bordering ...	12.2 p.c.	12.2 p.c.	8 p.c.	Free
28200-1	Building brick and paving brick	8.1 p.c.	8.1 p.c.	5 p.c.	Free
28205-1	Manufactures of clay or cement, n.o.p.	10.8 p.c.	10.8 p.c.	7 p.c.	Free
30705-1	Manufactures of marble, n.o.p.	14.3 p.c.	14.3 p.c.	9.5 p.c.	Free

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
30715-1	Manufactures of granite, n.o.p.	14.8 p.c.	14.8 p.c.	9.5 p.c.	Free
30800-1	Manufactures of stone, n.o.p.	15.6 p.c.	15.6 p.c.	10 p.c.	Free
50065-1	Flooring tiles made of in- dividual strips of wood joined together	6.8 p.c.	6.8 p.c.	4.5 p.c.	Free

Group II: Papers/Paper Products/Printed Matter

18010-1	Decalcomania transfers of all kinds, n.o.p.	12.5 p.c.	14.8 p.c.	9.5 p.c.	Free
19300-1	Paper sacks or bags of all kinds, printed or not ..	12.8 p.c.	12.8 p.c.	8.5 p.c.	Free
19410-1	Wholly or partially litho- graphed or printed sheets, including those provided for under tariff item 19405-1, for use in the manufacture of playing cards	10 p.c.	15 p.c.	10 p.c.	Free
19800-1	Ruled and border and coated papers, boxed pa- pers, pads not printed, papier-mâché ware, n.o.p.	12.8 p.c.	12.8 p.c.	8.5 p.c.	Free
19900-2	Matches of paper	7.5 p.c.	12.8 p.c.	7.5 p.c.	Free

Handmade papers, not to include
mould-made deckle-edge papers,
valued at not less than 40
cents per pound wholesale:

19930-1	Not cut to size or shape	10 p.c.	12.9 p.c.	8.5 p.c.	Free
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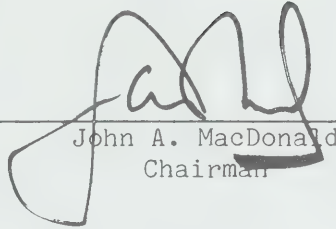
		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
20205-1	Twine or yarn of paper ...	8.8 p.c.	8.8 p.c.	5.5 p.c.	Free
<u>Group II: Glass Products</u>					
Laminated glass, of sheet glass, plate glass or float glass, or combinations thereof:					
32201-1	Not further processed than cut in rectangles..	5 p.c.	10.8 p.c.	5 p.c.	Free
32300-1	Manufactures of laminated glass, n.o.p.	15.7 p.c.	16.7 p.c.	11 p.c.	Free
<u>Group II: Chemicals</u>					
20900-1	Sodium carbonates, na- tural	10 p.c.	14.1 p.c.	9 p.c.	Free
92804 - Hydrogen, rare gases and other non-metals:					
92804-5	Tellurium	5 p.c.	10 p.c.	5 p.c.	Free
92808-1	92808 - Sulphuric acid; oleum	9.4 p.c.	9.4 p.c.	6 p.c.	Free
92809-1	92809 - Nitric acid; sul- phonitric acids	9.4 p.c.	9.4 p.c.	6 p.c.	Free
92813 - Other inorganic acids and oxygen compounds of non- metals (excluding water):					
92813-5	Hydrofluoric acid	9.4 p.c.	9.4 p.c.	6 p.c.	Free
92816-1	92816 - Ammonia, anhydrous or in aqueous solution	6.3 p.c.	6.3 p.c.	4 p.c.	Free

	<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
92817 - Sodium hydroxide (caustic soda); potassium hydroxide (caustic potash); peroxides of sodium or potassium:				
92817-3 Sodium hydroxide (caustic soda)	9.4 p.c.	9.4 p.c.	6 p.c.	Free
92838 - Sulphates (including alums) and persulphates:				
92838-1 Other than the following	10 p.c.	12.8 p.c.	8.5 p.c.	Free
Delete Free rate under the GPT opposite <u>Temporary rate reduction</u> .				
92842 - Carbonates and percarbonates; commercial ammonium carbonate containing ammonium carbamate:				
92842-1 Other than the following	10 p.c.	14.1 p.c.	9 p.c.	Free
Delete Free rate under the GPT opposite <u>Temporary rate reduction</u> .				
92901 - Hydrocarbons:				
92901-4 Butanes	9.4 p.c.	9.4 p.c.	6 p.c.	Free
92901-12 Propane	9.4 p.c.	9.4 p.c.	6 p.c.	Free
92903 - Sulphonated, nitrated or nitrosated derivatives of hydrocarbons:				
92903-2 Trinitrotoluene (TNT) ..	9.4 p.c.	9.4 p.c.	6 p.c.	Free

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
92904 - Acyclic alcohols and their halogenated, sulphonated, ni- trated or nitrosated deriva- tives:					
92904-5	Methyl alcohol	5 p.c.	10 p.c.	5 p.c.	Free
92913 - Ketones, ketone-alcohols, ketone-phenols, ketone-alde- hydes, quinones, quinone- alcohols, quinone-phenols, quinone-aldehydes and other single or complex oxygen- function ketones and quinones, and their halogenated, sul- phonated, nitrated or nitro- sated derivatives:					
92913-1	Other than the follow- ing	10 p.c.	12.8 p.c.	8.5 p.c.	Free
	Delete Free rate under the GPT opposite <u>Tem- porary rate reduction.</u>				
92931 - Organo-sulphur compounds:					
92931-1	Other than the follow- ing	10 p.c.	14.1 p.c.	9 p.c.	Free
	Delete Free rate under the GPT opposite <u>Tem- porary rate reduction.</u>				
92936-1	92936 - Sulphonamides	10 p.c.	10 p.c.	6.5 p.c.	Free
	Delete Free rate under the GPT opposite <u>Tem- porary rate reduction.</u>				

		<u>BP</u>	<u>MFN</u>	<u>Current GPT</u>	<u>Tariff Board Recom- mendation</u>
93819 - Chemical products and pre- parations of the chemical or allied industries (not inclu- ding those consisting of mix- tures of natural products other than compounded ex- tenders for paints), n.o.p.; residual products of the chemical or allied industries, n.o.p.; not including soap, nor pharmaceutical, flavour- ing, perfumery, cosmetic or toilet preparations:					
93819-2 Alkyl aryl hydrocar- bons, unsulphonated reaction blends	5 p.c.	9.4 p.c.	5 p.c.	Free	
Group II: Miscellaneous					
23205-1 Gelatine, n.o.p.	15 p.c.	17.2 p.c.	11 p.c.	Free	
23210-1 Vegetable glue	10 p.c.	17.2 p.c.	10 p.c.	Free	
25200-1 Shoe blacking; shoemakers' ink; shoe, harness and leather dressing, and knife or other polish or composition, n.o.p.	12.5 p.c.	14.8 p.c.	9.5 p.c.	Free	
30400-1 Grindstones, mounted or not, n.o.p.	14.8 p.c.	14.8 p.c.	9.5 p.c.	Free	
30805-1 Manufactures of alabaster, n.o.p.	14.8 p.c.	14.8 p.c.	9.5 p.c.	Free	
Cinematograph or moving picture films, positives, n.o.p.:					
65705-1 One and one-eighth of an inch in width and over per linear foot	1.3 cts.	1.3 cts.	.9 ct.	Free	


AND SO THE BOARD RECOMMENDS



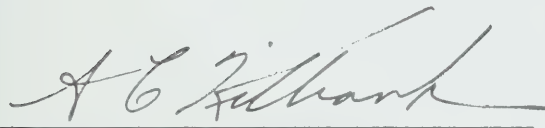
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Ottawa
April 1, 1982

APPENDIX I
THE MINISTER'S LETTER

July 24, 1980

Mr. John A. MacDonald
Chairman
Tariff Board
365 Laurier Avenue West
Ottawa, Ontario
K1A 0G7

Dear Mr. MacDonald:

I am writing to ask the Tariff Board to study and report under section 4(2) of the Tariff Board Act on a number of matters relating to the General Preferential Tariff (GPT).

The Canadian GPT was implemented in 1974 as part of an international system of tariff preferences designed to assist developing countries to expand their exports of manufactures and semi-manufactures to developed country markets. The preferential rate on industrial products covered by the Canadian scheme is established by legislation at two-thirds of the Most-Favoured-Nation (MFN) rate of duty or the British Preferential (BP) rate, whichever is lower. Specific preferences have also been established for selected agricultural products. Most textile products, leather footwear and certain electron tubes and parts were excluded from the coverage of the GPT by Order in Council under the safeguard clause because of the particular sensitivity of Canadian production in these sectors to import competition.

Since it came into effect in 1974, the GPT has been the subject of numerous and often conflicting representations. On the one hand, developing countries seeking to improve their competitive position vis-a-vis developed countries in the Canadian market have requested that preferences under the GPT be improved and also that the product coverage of the scheme be expanded. Most recently developing countries have expressed concern that the lowering of MFN tariff rates as a result of the multilateral trade negotiations (MTN) will yield smaller margins of preference for developing countries under the GPT than at present. They are seeking further improvements to the Canadian scheme so that their relative competitive position in the Canadian market will be enhanced or, at least, maintained.

On the other hand certain Canadian producers have expressed dissatisfaction and concern over the granting of preferential access to the Canadian market for developing countries. They argue that for many products these countries no longer need preferential access to compete in the Canadian market and that Canadian production and employment may be threatened by these preferences. Canadian producers have also alleged that the current safeguard provisions under the GPT are inadequate and do not allow for prompt consideration and open review of petitions for withdrawal or suspension of preferences.

In response to these latter representations and in order to be in a position to consider improvements to the GPT, the government will be introducing legislation to change the safeguard provisions of the GPT legislation. These changes will be designed primarily to facilitate the review of petitions from Canadian industry for withdrawal or suspension of the GPT preference on particular products from either one or all GPT beneficiaries. The proposed changes would include a provision to allow Canadian producers to petition the Tariff Board directly to determine whether imports at GPT rates are causing or threatening to cause them injury and, in the case of a positive finding, to recommend appropriate safeguard action to the government. Authority for the Governor in Council to establish tariff rate quotas, on the recommendation of the Tariff Board, as an alternative to outright exclusion of products from the GPT, would also be provided for in the amended GPT legislation. (Under a tariff rate quota the MFN tariff rate would be automatically restored when imports at the preferential rate reach a predetermined level). These changes should, if implemented, reassure Canadian producers that their requests for safeguard action will be given prompt consideration under procedures which allow for extensive input by, and consultation with, Canadian industry. At the same time, developing countries or their representatives would have the opportunity to make representations to the Board on any petition for safeguard action.

I recognize, however, that legislation will take time and that Canadian producers have an immediate concern. I would therefore like to meet that concern as far as possible within the context of existing legislation. Accordingly, I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury. If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers. The Board shall report its findings to me within six months of commencing its inquiry together with its recommendations as to whether in the particular instance the General Preferential Tariff should be withdrawn in whole or in part. If as the inquiry proceeds the Board is satisfied that there is a situation requiring urgent action, it shall make an interim report and recommendation prior to its final report and recommendation. In addition to the views of Canadian producers the Board should, in carrying out the inquiry, invite and take into account the views of the exporting beneficiary country or countries, exporting firms or representatives thereof as well as Canadian importers and consumers.

Given the reassurances that will be provided Canadian producers upon implementation of the proposed changes to the safeguard provisions, and bearing in mind the results of the MTN, the government also considers it timely and appropriate to review what changes or improvements to the GPT scheme may be possible to deal with the concerns of developing countries noted above. I would not want to propose such

changes or improvements, however, unless it were determined that Canadian interests would not be adversely affected. I, therefore, direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act, to review and report on the expected impact on Canadian production of including in the GPT those products covered by the tariff items listed in Group I of Annexes A and B to this letter, and the expected impact on Canadian production if the preferential rate under the GPT were established at Free for those products covered by the tariff items listed in Group II of Annexes A and B. I would also ask the Board to include in its report recommendations, based on its findings, as to whether any of the products covered by the tariff items in Group I should be included in the GPT and if so at what rates, and whether any of the products covered by the items in Group II should be allowed duty-free entry under the GPT.

If the Board should conclude that the inclusion in the GPT of some of the goods which are now excluded would be facilitated by the establishment of tariff rate quotas for those products, I would ask the Board also to make recommendations regarding the levels of such quotas. With regard to the GPT rates which the Board might recommend for products which are now excluded from the GPT, but for which the GPT rate formula would apply if they were included in the GPT, I would ask the Board to consider only two options: duty-free entry or the formula rate (i.e. the MFN rate minus one-third or the BP rate if it is lower).

I would ask that the Tariff Board report not later than nine months from the date of this letter on the tariff items listed in Annex A. The Board's report on the items listed in Annex B should be submitted within one year of its report on the items listed in Annex A.

Yours sincerely,

Allan J. MacEachen

APPENDIX II

LIST OF COUNTRIES ENTITLED TO
GENERAL PREFERENTIAL TARIFF TREATMENT

LIST OF COUNTRIES ENTITLED TO
GENERAL PREFERENTIAL TARIFF TREATMENT

Afghanistan	Djibouti (formerly French Territory of Afars and Issas)
Algeria	Dominica
American Samoa	Dominican Republic
Angola	Ecuador
Antigua-Barbuda	Egypt
Argentina	El Salvador
Ascension	Emirates, United Arab
Bahamas	Equatorial Guinea
Bahrain	Ethiopia
Bangladesh	Falkland Islands
Barbados	Fiji
Belize	French Polynesia
Bermuda	French Southern and Antarctic Territory
Bhutan	Gabon
Bolivia	Gambia
Botswana	Ghana
Brazil	Gibraltar
British Indian Ocean Territory	Grenada
Brunei	Guam
Bulgaria	Guatemala
Burma	Guinea
Burundi	Guinea-Bissau
Cameroon	Guyana
Cape Verde Islands	Haiti
Caroline Islands	Honduras
Cayman Islands	Hong Kong
Central African Republic	India
Chad	Indonesia
Chile	Iran
China, People's Republic of	Iraq
Christmas Island	Israel
Cocos (Keeling) Islands	Ivory Coast
Colombia	Jamaica
Comoros	Jordan
Congo	Kenya
Cook Islands	Khmer Republic (Cambodia)
Costa Rica	Kiribati (formerly Gilbert Islands)
Cuba	Korea, Republic of
Cyprus	
Dahomey (now Benin)	

Kuwait	St. Helena
Laos	St. Lucia
Lebanon	St. Vincent and the Grenadines (formerly St. Vincent)
Lesotho	Sao Tomé and Príncipe
Liberia	Sénégal
Macao (Macau) (Portuguese Overseas Provinces)	Seychelles
Madagascar	Sierra Leone
Malawi	Singapore
Malaysia	Solomon Islands (formerly British Solomon Islands)
Maldives	Somalia
Mali	Spanish North Africa
Malta	Sri Lanka
Mariana Islands	Sudan
Marshall Islands	Surinam
Mauritania	Swaziland
Mauritius	Syria
Mexico	Tanzania
Montserrat	Thailand
Morocco	Togo
Mozambique	Tokelau Islands
Nauru	Tonga
Nepal	Trinidad and Tobago
Netherlands Antilles	Tristan da Cunha
New Caledonia and dependencies	Tunisia
Nicaragua	Turkey
Niger	Turks and Caicos Islands
Nigeria	Tuvalu (formerly Ellice Islands)
Niue	Uganda
Norfolk Island	Upper Volta
Pakistan	Uruguay
Panama	Venezuela
Papua New Guinea	Viet-nam, Republic of
Paraguay	Virgin Islands, British
Peru	Virgin Islands, United States
Philippines	Western Samoa
Pitcairn	Yemen (Y.D.)
Portugal	Yemen Arab Rep. (Y.A.R.)
Portuguese Adjacent Islands	Yugoslavia
Portuguese Overseas Provinces	Zaire
Qatar	Zambia
Romania	Zimbabwe (formerly Southern Rhodesia)
Rwanda	
St. Christopher (Kitts)-Nevis- Anguilla	

APPENDIX III

NOTICE R-208

THE TARIFF BOARD



LA COMMISSION DU TARIF

NOTICE R-208

NOTICE OF PUBLIC HEARINGS

ON

TARIFF BOARD REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

Public hearings to consider the tariff items listed in Annex B of Reference 158 will be held in the Board's Courtroom on 20th Floor of 365 Laurier Avenue West, in Ottawa, or at such other place in the National Capital Region as may hereafter be designated by the Board, commencing at 10:00 a.m., local time, on:

Wednesday, May 27th, 1981,
Monday, September 14th, 1981, and -
Monday, November 16th, 1981.

At these hearings, the Board will consider all submissions relating to the proposed extensions of the General Preferential Tariff, including claims of possible adverse impact on Canadian producers. TO BE CONSIDERED AT THE SCHEDULED HEARINGS, THE SUBMISSIONS MUST REACH THE BOARD NOT LATER THAN:

Friday, May 1st, 1981,
Friday, August 14th, 1981 and -
Friday, October 16th, 1981.

The sections of the letter of reference from the Minister of Finance, dated July 24th, 1980, relevant to the forthcoming hearings are as follows:

"I, therefore, direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act, to review and report on the expected impact on Canadian production of including in the GPT those products covered by the tariff items listed in Group I of Annex ... B to this letter, and the expected impact on Canadian production if the preferential rate under the GPT were established at Free for those products covered by the tariff items listed in Group II of Annex... B. I would also ask the Board to include in its report recommendations, based on its findings, as to whether any of the products covered by the tariff items in Group I should be included in the GPT and if so at what rates, and whether any of the products covered by the items in Group II should be allowed duty-free entry under the GPT.

If the Board should conclude that the inclusion in the GPT of some of the goods which are now excluded would be facilitated by the establishment of tariff rate quotas for those products, I would ask the Board also to make recommendations regarding the levels of such quotas. With regard to the GPT rates which the Board might recommend for products which are now excluded from the GPT, but for which the GPT rate formula would apply if they were included in the GPT, I would ask the Board to consider only two options: duty-free or the formula rate (i.e., the MFN rate minus one-third or the BP rate if it is lower)."

The Board's report on the items listed in Annex B should be submitted to the Minister by April 24th, 1982.

ANNEX B

GROUP I

Agricultural

7903-1, 14203-1, 14203-2, 14204-1, 14204-2, 14210-1, 14305-1, 14315-1, 14500-1, 27825-1.

Liquors/Spirits, etc.

15605-1, 15610-1, 15630-1, 15635-1, 16810-1.

Electrical

44542-1.

GROUP II

Other Agricultural

1210-1, 7910-1, 27731-1.

Liquors/Spirits, etc.

15615-1, 15620-1, 16001-1, 16002-1, 16101-1, 16102-1, 23300-1.

Building Materials/Products

19200-1, 19200-2, 19500-1, 28200-1, 28205-1, 28900-1, 30705-1, 30715-1, 30800-1, 50065-1.

Papers/Paper Products/Printed Matter

17800-1, 17900-1, 18000-1, 18010-1, 18030-1, 18100-1, 18105-1, 18200-1, 19300-1, 19410-1, 19800-1, 19900-2, 19930-1, 20205-1.

Glass Products

32201-1, 32300-1, 32305-1, 32606-1, 32612-1, 32701-1.

Chemicals

20900-1, 92804-5, 92808-1, 92809-1, 92813-5, 92816-1, 92817-3, 92838-1, 92842-1, 92901-4, 92901-12, 92903-2, 92904-5, 92913-1, 92915-1, 92915-3, 92916-1, 92931-1, 92935-1, 92936-1, 92944-1, 93206-1, 93404-1, 93819-2, 93901-81, 93902-81, 93902-83.

Miscellaneous

22600-1, 23205-1, 23210-1, 23600-1, 25200-1, 30400-1, 30805-1, 41105-1, 41105-2, 43833-1, 60600-1, 65705-1.

Claims of possible adverse impact by Canadian manufacturers should consist of seven copies of the claimant's response to a confidential questionnaire and seventy-five copies of a non-confidential summary of the questionnaire (excluding all confidential information), such summary also containing the claimant's views, opinions, etc., as relevant to the tariff item(s) against which a claim is lodged.

Other interested parties -- countries in the GPT system concerned with the implementation of proposed extensions, importers, consumer interest groups and others -- can also present submissions concerning the proposed extensions, be it that they are in agreement with proposed extensions or claiming against them. Should such claims and submissions contain confidential material, seven copies of such confidential material will be required. Otherwise, for all non-confidential material, seventy-five copies are to be sent in.

Copies of all non-confidential submissions are for use at public hearings and for distribution to interested parties, i.e., manufacturers, importers and governments of GPT countries to whom the tariff items in question are of concern. The confidentiality of the responses to the questionnaire, and of material marked confidential, is, however, protected by the Tariff Board Act. These documents will be only for internal use by the Board or its staff. NO SUBMISSION OR CLAIM WILL BE LISTED FOR HEARING UNTIL SUCH TIME AS THE DOCUMENTATION IS COMPLETE, AND THE REQUIRED NUMBER OF COPIES HAVE BEEN RECEIVED BY THE BOARD.

Submissions including claims will be heard in the order of their receipt as acknowledged by the Board. For consideration at the hearing commencing on May 27th, documentation must be completed by Friday, May 1st, but any person so doing may request that consideration of their submission be deferred to one of the later hearings. Similarly, only those submissions and claims for which all documents are in the hands of the Board by Friday, August 14th, can be considered at the hearing commencing on September 14th, although again, the party making the submission or presenting a claim may request deferral of the hearing until November. THE FINAL DEADLINE, HOWEVER, FOR ALL CLAIMS AND SUBMISSIONS RELATING TO ANNEX B IS THE CLOSE OF BUSINESS ON FRIDAY, OCTOBER 16th, 1981; NO CLAIMS OR SUBMISSIONS RECEIVED AFTER THAT DATE, OR FOR WHICH DOCUMENTATION HAS NOT BEEN COMPLETED BY THEN, WILL BE CONSIDERED.

The Board reserves the right to hold additional hearings or to cancel or re-schedule any hearing. Based on the number of submissions, the Board may also schedule hearings at locations outside the National Capital Region, and in such cases will consult with possible interested parties as to the appropriate time and place for considering their submissions.

Copies of questionnaires and any further information as to procedures to be followed may be obtained from Mr. W.L. Posthumus, Director, Inquiry Operations, The Tariff Board, Ottawa, Ontario, K1A 0G7, telephone number (613) 996-8541, Ext. 20.

J.E. Lafrance
Secretary

Ottawa, February 6th, 1981.

CAI
FN 55
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RELATING TO THE GENERAL
PREFERENTIAL TARIFF
PETITION FOR SAFEGUARD ACTION
BY INTERPROVINCIAL STEEL AND
PIPE CORPORATION LTD.
— SAFEGUARD PETITION NO. 4 —



REFERENCE
158

A REPORT BY
THE TARIFF BOARD

REFERENCE NO. 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION

BY INTERPROVINCIAL STEEL AND PIPE CORPORATION LTD.

— SAFEGUARD PETITION NO. 4 —

The Board, having considered the report of its Hearing Officer, Mr. Grant Deachman, and other material evidence with respect to this petition, submits its conclusions and recommendations in this report, pursuant to the reference by the Minister of Finance.

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Ottawa

K1A 0G7

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RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION
BY INTERPROVINCIAL STEEL AND PIPE CORPORATION LTD.
- SAFEGUARD PETITION NO. 4 -

INTRODUCTION

This is a report of the Tariff Board made pursuant to Reference 158 from the Minister of Finance, concerning the petition of Interprovincial Steel and Pipe Corporation Ltd., (IPSCO), for removal of the General Preferential Tariff (GPT), from certain classes of steel pipe imported into Canada from the Republic of Korea. It was the claim of the petitioner that these importations are causing injury to its pipe producing operation at Port Moody, British Columbia. The removal of preferential benefits was requested for unlimited time.

The Board's terms of reference for the hearing of this petition are set out in the Minister's letter of July 24, 1980, which states in part:

I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury.

If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers.

The GATT definitions, referred to by the Minister, which serve as the framework for the inquiry, are as follows: "The term 'injury' shall, unless otherwise specified, be taken to mean ... injury to a domestic industry, threat of ... injury to a domestic industry or ... retardation of the establishment of such an industry...",⁽¹⁾ and the factors involved are those used in standard economic analyses such as production, employment, sales, etc.

THE GOODS IN ISSUE

The petition covers steel pipe defined under commodity code (CITC) 448-38-80 as:

Pipes, standard, CS, welded, 4.5 inches OD or less.

It will be referred to in the text as "standard pipe", which, when imported, enters Canada under tariff item 39700-2.

<u>Tariff Item</u>	<u>British Prefer- ential Tariff</u>	<u>Most- Favoured- Nation Tariff</u>	<u>General Tariff</u>	<u>General Prefer- ential Tariff</u>	<u>U.K. and Ireland</u>
Pipes or tubes of iron or steel, n.o.p., with plain or processed ends, whether or not coated or lined:					
39700-2 Other [than alloy]					
as of 1/1/81	12.5 p.c.	17.5 p.c.	30 p.c.	11.5 p.c.	12.5 p.c.
as of 1/1/87	12.5 p.c.	10.2 p.c.	30 p.c.	7.0 p.c.	12.5 p.c.

The differential between the GPT rate and the MFN rate, the margin of preference which the petitioner requests be withdrawn, amounts currently to 6 percentage points. By 1987, assuming, for the purpose of this analysis, the continuation of the GPT system after July 1st, 1984, in essentially its present form, this margin of preference would diminish to 3.2 percentage points, reflecting the MFN tariff reductions agreed upon at the Tokyo Round of Multilateral Trade Negotiations.

(1) Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade, Geneva, 12th April, 1979 p. 7 and footnote (6).

Tariff item 39700-2 was created in 1980, also as a part of the Tokyo Round agreements. Prior to that date, pipes, whether alloy or not, entered Canada under tariff item 39700-1, which is now applicable only for alloy products.

Standard pipe is produced either by the method of electric resistance welding (ERW) or continuous welding (CW). Standard pipe produced by the two methods is fully substitutable. IPSCO produces ERW standard pipe at the Port Moody plant.

The main end-uses of standard pipe are in industrial construction, e.g., sprinkler systems, fencing and scaffolding. To a lesser extent, such pipe is also utilized in the shipbuilding industry, the construction of oil-derricks and in refrigeration.

THE PETITIONER

Interprovincial Steel and Pipe Corporation Ltd., incorporated in 1956, is the largest steel producer in Western Canada. After the expansion now in progress has been completed, the company will have the capacity to manufacture steel pipes and tubes from .5" to 80" OD, in addition to steel sheet and plate products.

The provincial governments of Alberta and Saskatchewan each hold 20 per cent of the outstanding shares of IPSCO. Another 20 per cent is held by Slater Steel Industries owned by the British Steel Corporation. The public holds the remaining 40 per cent.

INTERVENTIONS

All Canadian manufacturers of standard pipe other than IPSCO, who were identified as the relevant "like" producers, presented their views concerning IPSCO's petition to the Board in briefs. The Algoma Steel Corporation, Limited, which does not produce standard pipe, appeared at the public hearing as well. While all expressed concern about imports of standard pipe from the Republic of Korea, particularly with respect to potential future developments, none joined IPSCO outright in the petition.

Balfour Guthrie (Canada) Limited, a firm of Canadian importers, addressed a confidential brief to the Board, in opposition to the petition. In addition, the Board has received a non-confidential brief also directed against the petition, and heard at the public hearing, from representatives of the Korea Steel Pipe Association.

All such material received by the Board entered the records and, subject to provisions respecting confidentiality, is available for public scrutiny.

THE PUBLIC HEARING

The petitioner informed the Board in December, 1980, of its intention to petition for safeguard action. When the assembly of the required statistical and other information was completed, IPSCO formally presented its case early in May, 1981. The Board reviewed the submission and determined, on May 11, 1981, that a prima facie case of injury existed.

This information was published in the Canada Gazette of June 6, 1981, together with a notice that a public hearing of the petition would be held on August 12, 1981, in Vancouver. The Board also sent notices of the public hearing to all known Canadian producers, importers and suppliers of standard pipe.

ANALYSIS

Imports of standard pipe, entering Canada under CITC 448-38-80 and the then applicable tariff item 39700-1⁽¹⁾, totalled 27,000 metric tons in 1978. This level of imports, year-to-year fluctuations notwithstanding, has not been reached again.

A significant shift, however, was evident among the foreign suppliers of standard pipe during the years under analysis. Japan, a non-GPT country, accounted for close to 60 per cent of imports of such pipe in 1978. By 1980, in contrast, Korean manufacturers had become the predominant foreign suppliers, shipping some 56 per cent of the total tonnage entering Canada in that year, as compared with 25.1 per cent from Japan. The GPT system, introduced in 1974, includes the Republic of Korea as one of the countries to which the benefits of low tariff rates have been extended by Canada to assist in their development.

The Republic of Korea's dominant position as regards imports appears to have been further enhanced in 1981. Imports of standard pipe from this source currently account for nearly all GPT imports of such pipe and, also, for some 65.6 per cent of imports of standard pipe from all countries.

The total Canadian market for standard pipe, expressed in metric tons, has expanded somewhat since 1978, year-to-year fluctuations notwithstanding. The overall share of this market held by imports has, however, declined. Shipments from foreign sources accounted for some 17 per cent of the Canadian market in 1978, and for less than 15 per cent by 1980, so that Canadian producers collectively have, over the years under analysis, improved their position in the domestic market.

(1) As noted earlier, as of January 1st, 1980, tariff item 39700-2 is the applicable tariff item for these goods.

All Canadian producers of standard pipe were successful in improving their market position, with the exception of IPSCO. The petitioner's share of the Canadian market dropped in both 1979 and 1980, particularly during the latter year. During the first six months of 1981, however, IPSCO increased its shipments of standard pipe, and more than regained the share of the domestic market lost during the two preceeding years.

The Board also examined the Western Canadian market for standard pipe, because the petitioner's sales are almost entirely confined to that region. Furthermore, more than 85 per cent of all GPT imports of standard pipe are landed in British Columbia ports and appear to be sold in the Western region. As in the case of the total Canadian market, the import share of the Western market has also declined substantially, again sharp year-to-year fluctuations notwithstanding. The shift among foreign suppliers from Japan to Korea is once more in evidence, especially during the first part of 1981.

While the market in Western Canada for standard pipe has been buoyant in recent years, the petitioner was the only domestic producer who failed to increase its share of that market in 1979 from the level held a year earlier. A particularly pronounced erosion of IPSCO's position occurred in 1980. In that year another Canadian producer serving the Western market also experienced difficulties. That producer, however, maintained a market share well above the level attained in 1978. In terms of the smaller Western Canadian market the improvement by IPSCO during the first half of 1981 was even more noticeable.

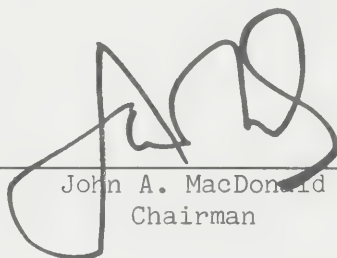
CONCLUSIONS AND RECOMMENDATION

The Board finds that imports of standard pipe from the Republic of Korea have increased during the period under review. This expansion, however, has displaced imports from other countries, mainly Japan, rather than domestic production.


Evidence submitted to the Board indicates that the petitioner's declining market position for standard pipe in 1979 and 1980 resulted from a deterioration in price competitiveness with respect to both domestic CW and imported ERW standard pipe. The petitioner maintained a high level of capacity utilization at its Port Moody plant in British Columbia during 1978, 1979 and the beginning of 1980, by concentrating on its more profitable product lines, e.g., line pipe and casing, for which Western Canadian demand was very strong at that time. During the course of 1980, however, the market for oil-country goods softened at the same time as IPSCO's market position for standard pipe declined.

The petitioner took corrective action in the beginning of 1981 by adjusting prices for standard pipe to be more in line with those of the main domestic competitor, and by adopting as well a more aggressive marketing strategy. This resulted in reducing the price advantage of the Korean product and in IPSCO regaining and even surpassing the share of the Western market which IPSCO held in 1978.


The Board, therefore, concludes that the difficulties encountered by IPSCO at its Port Moody plant with respect to "pipes, standard, carbon steel, welded, 4.5 inches outside diameter or less" were caused by factors other than imports from the Republic of Korea. The Board, thus, recommends that no safeguard action be taken with respect to the goods in issue entering under tariff item 39700-2 from the Republic of Korea.



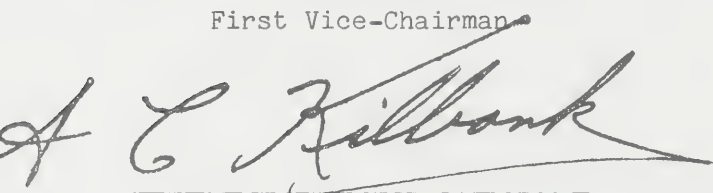
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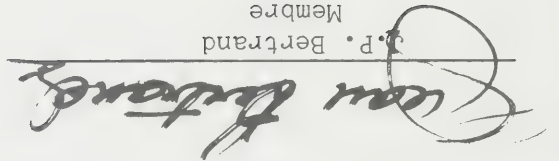
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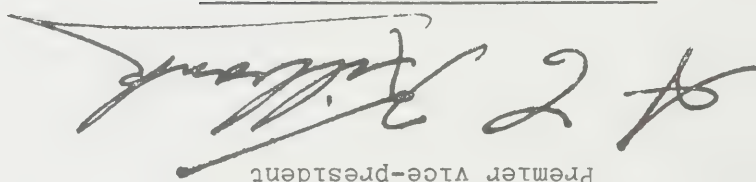
R.K. Matthe
Member

Ottawa
le 24 septembre 1981

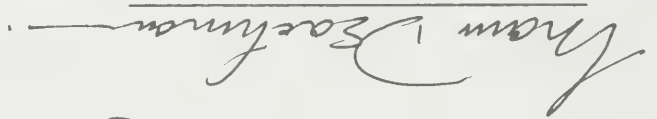
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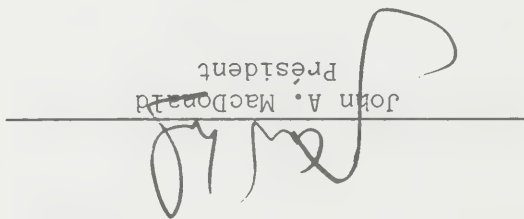
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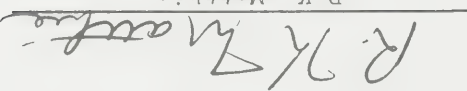
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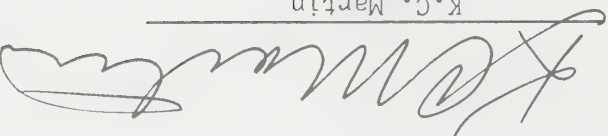
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Membre



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Deuxième vice-président



La Commission est d'avis que les importations de tuyaux ordinaires de la République de Corée se sont accrues au cours de la période à l'étude. Or, cette expansion a supplanté les importations d'autres pays, surtout du Japon, au lieu de la production intérieure.

Les témoignages présentés à la Commission démontrent que le marché décroissant du demandeur par rapport aux tuyaux ordinaires, en 1979 et 1980, a été le résultat d'une détérioration de la concurrence des prix du tuyau ordinaire à soudures continue de fabrication canadienne et du tuyau à soudures électrique par résistance importé. Le demandeur a maintenu un niveau élevé de capacité de production à son usine de Port Moody en Colombie-Britannique en 1978 et au début de 1980 en se concentrant sur des produits plus rentables dont les tubes de canalisation et les tubages en très forte demande dans l'ouest canadien à l'époque. Au cours de 1980, cependant, le marché des produits utilisés dans le secteur du pétrole s'est affaibli alors que la situation du marché des tuyaux ordinaires accusait une baisse dans le cas de IPSCO.

Le demandeur a amorcé des mesures de redressement au début de 1981 en ajustant les prix du tuyau ordinaire de façon à les aligner d'avantage sur ceux de son principal concurrent au pays et il s'est acquis une stratégie de marketing plus agressive, ce qui a causé une réduction des prix avantageux des produits coréens. IPSCO a donc réussi à reprendre, voire surpasser, la part du marché de l'ouest qu'elle détenait en 1978.

Par conséquent, la Commission estime que les difficultés auxquelles s'est heurtée IPSCO à son usine de Port Moody au sujet des tuyaux, ordinaires, acier de carbone, soudés, 4.5 pouces de diamètre extérieur ou moins" sont attribuables à des facteurs autres que les importations de la République de Corée. La Commission recommande donc qu'aucune mesure de sauvegarde ne soit prise au sujet des marchandises en litige admises en vertu du numéro tarifaire 39700-2 en provenance de la République de Corée.

Du point de vue importations, la position dominante de la République de Corée semble s'être renforcée davantage en 1981. Les importations de tuyaux ordinaires de cette source reflètent présentement presque toutes les importations TPG de ce matériel et environ 65.6 pour cent des importations de tuyaux ordinaires de tous les pays.

Depuis 1978, la demande globale du marché canadien de tuyaux ordinaires, en tonnes métriques, a accusé une certaine expansion, abstraction faite des fluctuations annuelles. Or, il y a eu déclin de la part de ce marché dans l'ensemble au chapitre des importations. Les exportations depuis l'étranger ont constitué environ 17 pour cent du marché canadien en 1978 et moins de 15 pour cent en 1980. Par conséquent, les fabricants canadiens ont relativement, au cours des années sous étude, amélioré leur situation sur le marché intérieur.

Tous les fabricants canadiens de tuyaux ordinaires, sauf IPSCO, ont réussi à améliorer leur situation de marché. La part du marché canadien que détient le demandeur a accusé un recul en 1979 et surtout en 1980. Au cours du premier semestre de 1981, cependant, IPSCO a augmenté ses expéditions de tuyaux ordinaires et plus que repris la part du marché intérieur qu'elle avait perdue au cours des deux années précédentes.

La Commission s'est aussi penchée sur le marché du tuyau ordinaire pour l'Ouest canadien étant donné que les ventes du demandeur étaient presque toutes faites dans cette région. En outre, plus de 85 pour cent de toutes les importations TPG de tuyaux ordinaires sont déchargées dans les ports de la Colombie-Britannique et sont vendues dans la région de l'Ouest, semble-t-il. Le pourcentage des importations du marché de l'Ouest, par rapport au marché global canadien a accusé également un déclin substantiel, sans tenir compte des vives fluctuations annuelles. Il ressort de nouveau que les principaux fournisseurs étrangers sont passés du Japon à la Corée, surtout au début de 1981.

Quoique le marché de l'Ouest canadien de tuyaux ordinaires ait été très actif au cours des récentes années, le demandeur a été le seul fabricant canadien qui n'ait pas réussi à accroître sa part du marché en 1979 par rapport au niveau à l'année antérieure. La situation de IPSCO a accusé un recul très prononcé en 1980. Pendant cette même année, un autre fabricant canadien au service du marché de l'Ouest s'est également retrouvé en difficultés. Cependant, il a conservé une part du marché bien plus élevée qu'il avait acquise en 1978. Compte tenu du marché moindre de l'Ouest canadien, IPSCO démontre au cours du premier semestre de 1981 une amélioration encore plus sensible.

Balfour Guthrie (Canada), Limited, une firme d'importateurs canadiens, a présenté un exposé confidentiel à la Commission en opposition à la demande. La Commission a reçu en outre un exposé non confidentiel s'opposant aussi à la demande, formulée à l'audience publique par les représentants de Korea Steel Pipe Association.

Toute cette documentation a été consignée aux registres de la Commission et elle est disponible à l'examen public, à l'exception des dispositions confidentielles.

L'AUDIENCE PUBLIQUE

En décembre 1980, le demandeur a prévenu la Commission de son intention de demander des mesures de sauvegarde. Lorsque furent réunies au complet les données statistiques et autres, IPSCO a formellement inscrit sa cause au début mai 1981. La Commission a étudié la documentation soumise et a déterminé le 11 mai 1981 qu'un préjudice prima facie existait alors.

Cette information a été publiée dans la Gazette du Canada le 6 juin 1981, ainsi qu'un avis d'audience publique de la demande devant avoir lieu le 12 août 1981 à Vancouver. En outre, la Commission a envoyé des avis d'audience publique à tous les fabricants importateurs et fournisseurs canadiens connus de tuyaux ordinaires.

ANALYSE

Les importations de tuyaux ordinaires admises au Canada en vertu du CITC 448-38-80 et du numéro tarifaire 39700-1⁽¹⁾ applicable alors se sont chiffrées à 27,000 tonnes métriques en 1978. Le niveau de ces importations, nonobstant les fluctuations considérables d'une année à l'autre, n'a pas été égalé depuis.

Cependant, des changements sensibles se sont produits chez les fournisseurs étrangers de tuyaux au cours des années faisant l'objet de l'analyse. Le Japon, ne jouissant pas du tarif de préférence général, a exporté près de 60 pour cent de ces tuyaux en 1978. Par contre, les fabricants coréens étaient devenus en 1980 les principaux fournisseurs étrangers, expédiant au cours de la même année, environ 56 pour cent du tonnage global admis au Canada alors que le Japon en expédiait 25.1 pour cent. Depuis sa mise en oeuvre en 1974, le système TPG compte dans ses rangs la République de Corée qui a profité des bas taux tarifaires que lui a offert le Canada en vue de son développement.

(1) Tel que noté plus haut, à compter du 1^{er} janvier 1980 le numéro tarifaire 39700-2 est celui qui s'applique à ces marchandises.

Créé en 1980, le numéro tarifaire 39700-2 constituait un des résultats des accords des négociations de Tokyo. Antérieurement, les tuyaux avec allages ou non étaient admis au Canada en vertu du numéro tarifaire 39700-1 lequel ne s'applique maintenant qu'aux produits composés d'allages.

On produit le tuyau ordinaire soit au moyen de soudure électrique par ces deux méthodes est entièrement interchangeable. IPSCO fabrique des tuyaux ordinaires au moyen de la soudure électrique par résistance à son usine de Port Moody.

Les tuyaux ordinaires sont utilisés surtout dans la construction industrielle, notamment les systèmes d'arrosage, les clôtures et les échafaudages. Ces tuyaux sont dans une moindre mesure utilisés dans les chantiers maritimes, la construction de derricks pour le forage du pétrole et la réfrigération.

LE DEMANDEUR

Constituée en société en 1956, l'Interprovincial Steel and Pipe Corporation Ltd. est l'acierie la plus importante de l'ouest canadien. Quand ses travaux d'agrandissement seront terminés, cette société sera en mesure de fabriquer des tuyaux d'acier de diamètres extérieurs de .5 po. à 80 po. en plus de fabriquer de l'acier en feuilles et en plaques.

Les gouvernements de l'Alberta et de la Saskatchewan détiennent chacun 20 pour cent des actions émises par IPSCO. La Slater Steel Industries, propriété de la British Steel Corporation en détiennent une autre tranche de 20 pour cent. Les 40 pour cent des actions restantes sont détenues par le secteur public.

INTENTIONS

Tous les fabricants canadiens de tuyaux ordinaires, autres qu'IPSCO, reconnus producteurs "semblables" ont présenté des exposés à la Commission au sujet de la demande de IPSCO. La firme Algoma Steel Corporation Limited, laquelle ne produit pas de tuyaux ordinaires, a également comparu à l'audience publique. Bien que tous s'inquiètent des importations de tuyaux ordinaires de la République de Corée, surtout en ce qui concerne le potentiel de leur développement futur, aucun d'eux ne s'est rangé carrément à la demande de IPSCO.

Les définitions du GATT auxquelles se réfère le Ministre sont à la base de l'enquête et se lisent ainsi: "Le terme 'préjudice' s'entendra, sauf indication contraire, d'un préjudice ... causé à une branche de production nationale, d'une menace de préjudice ... pour une branche de production nationale ou d'un retard ... dans la création d'une branche de production nationale ..."(1) Les facteurs en cause sont ceux dont on se sert habituellement dans les analyses économiques dans les domaines de la production, de l'emploi, des ventes et autres.

L'OBJET DU LITIGE

La demande englobe les tuyaux d'acier définis dans le code des marchandises 448-38-80 tel que ci-après:

Tuyaux, ordinaires, acier carbone, soudés, 4.5 pouces de diamètre extérieur ou moins

Le texte y réfère à titre de "tuyau ordinaire" lequel, lorsqu'il importé, est admis au Canada sous le numéro tarifaire 39700-2.

Numéro
Tarifaire

Tarif de
préférence
la nation
ce bri-
tannique

Tarif de
la plus
favorisée

Tarif
général

Tarif
de pré-
férence
général

R.-U. et
Irlande

Tuyaux ou tubes de fer ou
d'acier, n.d., avec bouts
ordinaires ou travail-
lés, revêtus à l'exté-
rieur ou à l'intérieur
ou non:

39700-2 Autres [qu'alliages]

au 1/1/81
au 1/1/87

12.5 p.c. 17.5 p.c. 30 p.c. 11.5 p.c. 12.5 p.c.
12.5 p.c. 10.2 p.c. 30 p.c. 7.0 p.c. 12.5 p.c.

L'écart entre le taux TPG et le taux NPF, la marge de préférence que le requérant désire voir retirée, se chiffre présentement à 6 points de pourcentage. Si l'on suppose, pour fins de cette analyse, que le système TPG se maintienne essentiellement dans sa formule actuelle après le 1er juillet 1984, la marge de préférence sera réduite à 3.2 points de pourcentage en 1987 et reflètera donc les réductions tarifaires de la NPF consenties lors des négociations de Tokyo sur le commerce multilatéral.

(1) Accord relatif à l'interprétation et à l'application des articles VI, XVI et XXIII de l'Accord général sur les tarifs douaniers et le commerce, Genève, le 12 avril 1979, p. 7 et renvoi 6.

PORTANT SUR LE TARIF DE PREFERENCE GENERAL

DEMANDE DE MESURES DE SAUVEGARDE
D'INTERPROVINCIAL STEEL AND PIPE CORPORATION LTD.
- DEMANDE DE MESURES DE SAUVEGARDE N° 4 -

INTRODUCTION

Le présent rapport de la Commission du tarif porte sur le Renvoi n° 158 du Ministre des Finances au sujet de la demande d'Inter-provincial Steel and Pipe Corporation Ltd., (IPSCO) d'exclure du tarif préférentiel général (TPG) certaines classes de tuyaux d'acier importés de la République de Corée au Canada. Le demandeur prétend que ces importations causent du tort à son usine de fabrication de tuyaux à Port Moody (Colombie-Britannique). La demande d'exclure les avantages préférentiels porte sur une période de temps illimitée.

Les attributions de la Commission relatives à l'audience de la présente demande sont précisées dans la lettre du Ministre, du 24 juillet 1980, dans laquelle il dit:

Je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite de l'application du Tarif de préférence général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée.

Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations aux taux réduits en vertu du TPG. A mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG à l'égard du produit ou des produits en question permettrait en fait de soulager les producteurs canadiens.

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RENOI NO 158

PORTANT SUR LE TARIF DE PRÉFÉRENCE GÉNÉRAL

DEMANDE DE MESURES DE SAUVEGARDE

D'INTERPROVINCIAL STEEL AND PIPE CORPORATION LTD.

— DEMANDE DE MESURES DE SAUVEGARDE NO 4 —

La Commission, ayant pris connaissance du rapport du Président chargé de l'enquête, M. Grant Deachman, et de la preuve documentaire présentée au soutien de cette demande, soumet dans le présent rapport ses conclusions et sa recommandation conformément à la lettre de renvoi du Ministre des Finances.



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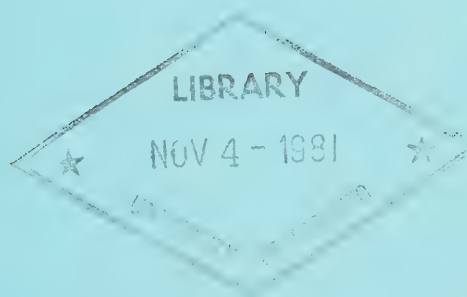
PORTANT SUR LE TARIF DE
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1

RELATIVE TO THE GENERAL PREFERENTIAL TARIFF
PETITION FOR SATEGUARD ACTION
BY DOMINION CEMENT COMPANY LTD.
— SATEGUARD PETITION NO. 3 —
(REVIEW AND RECOMMENDATION)



REFERENCE
158

AS ORDERED BY
THE PARLIAMENT

REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

**PETITION FOR SAFEGUARD ACTION
BY DOMINION COLOUR COMPANY LTD.**

**— SAFEGUARD PETITION NO. 5 —
REVIEW AND RECOMMENDATIONS**

**K. C. MARTIN
Hearing Officer**

This report, made pursuant to a reference by the Minister of Finance and signed by the Board on July 9, 1981, is presented for tabling in Parliament under the provisions of section 6 of the Tariff Board Act.

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REFERENCE 158
RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION
BY DOMINION COLOUR COMPANY LTD.
-- SAFEGUARD PETITION NO. 5 --

REVIEW AND RECOMMENDATIONS

INTRODUCTION

The Minister of Finance has requested the Tariff Board to conduct an inquiry into any submission from a Canadian producer petitioning for withdrawal of the General Preferential Tariff (GPT) as a result of injury caused by imports entering under the GPT rate. Such an inquiry should be undertaken when the Board is satisfied that there is a prima facie case of injury. The full text of the letter of reference of July 24, 1980 appears in Appendix A.

In its inquiry, the Board was asked to take into account economic factors generally recognized as relevant to a determination of injury, and as contained, for example, in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. Views of exporting countries, and of Canadian importers and other interested parties should also be considered in the Board's inquiry.

In determining whether or not to recommend safeguard action, the Minister enjoined the Board "... to be fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT ...". Moreover, the Minister held that "... the Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT ... would in fact provide significant relief to the Canadian producer ...".

The present report completes the Board's inquiry, well within the required time limit of six months specified by the Minister in his letter of reference.

THE PETITION

Dominion Colour Company Ltd. petitioned the Board, to withdraw the GPT benefit with respect to imports of Red Lake C from the Republic of Korea (Korea) and India entering under tariff item 93205-3, because such imports are causing injury to its operations. The withdrawal of benefits was requested for an unlimited period of time.

Red Lake C is an organic pigment used principally in the manufacture of printing ink.

COUNTER-PETITIONS

Two counter-petitions were made before the Board against the withdrawal of the GPT benefit from Red Lake C currently imported from GPT countries. The first was a presentation from Mackenzie & Feimann Ltd., the sole importer of Red Lake C from Korea. In its view, Dominion Colour was not injured by imports of Red Lake C from Korea. The difficulties encountered by Dominion Colour were attributable to its failure to pursue the role of a price leader. Therefore, the requested withdrawal of the GPT rate would not be of benefit to the Canadian producer.

The second counter-petition was presented by Korea. The recent rapid increase in Canadian imports from Korea was acknowledged, but the brief argued that, nevertheless, such imports do not form a major factor in the Canadian market for pigment dyestuffs. It was, therefore, requested that Canada continue to grant GPT benefits for pigment dyestuffs from Korea and so continue to assist the industries of developing countries. In Korea's case, moreover, such assistance would benefit Korean producers who are faced with "very serious difficulties" because of the need to import oil-based raw materials for the production of pigment dyestuffs.

THE TARIFF ITEM

The description of tariff item 93205-3, under which Red Lake C is imported, is given below along with the current rates of duties:

<u>Tariff Item</u>	<u>Description of Goods</u>	<u>British Prefer- ential Tariff</u>	<u>Most- Favoured- Nation Tariff</u>	<u>General Tariff</u>	<u>General Prefer- ential Tariff</u>	<u>U.K. and Ireland</u>
93205 -	Synthetic organic dyestuffs (including pigment dyestuffs); synthetic organic products of a kind used as luminophores; products of the kind known as optical bleaching agents, substantive to the fibre; natural indigo:					
93205-3	Pigment dyestuffs, n.o.p.	10 p.c.	14.4 p.c.	25 p.c.	9.5 p.c.	12.5 p.c.

Tariff item 93205-3 was incorporated in the GPT scheme as originally introduced on July 1, 1974 at the reduced rate of 10 p.c., in accordance with the formula of whichever is the lesser -- one-third off the MFN rate, which at that time stood at 15 p.c., or the BP rate. Since then, as a result of the reductions introduced by Multilateral Trade Negotiations, the MFN rate was brought down to 14.7 p.c. on July 1, 1980, and to 14.4 p.c. on January 1, 1981. The GPT rate was lowered to 9.5 p.c. on July 1, 1980. The BP rate has remained at 10 p.c. throughout.

The present margin of preference provided by the GPT with respect to the MFN rate is 4.9 percentage points. Dominion Colour requests that this margin be withdrawn from Korean imports of Red Lake C by re-establishing the MFN rate of 14.4 p.c. The withdrawal of the GPT with respect to imports of Red Lake C from India would involve a difference of 0.5 percentage points, the margin of preference between the GPT rate and the BP rate.

PROCEDURAL STEPS

The letter of intent from Dominion Colour to petition for safeguard action was received by the Board on March 3, 1981. The prima facie case of injury was determined by the Board on April 1, 1981, and a notice to this effect appeared in the Canada Gazette on April 25, 1981, along with a notice of public hearing set for June 10, 1981.

A pre-hearing conference was arranged by the Board so that counsel for the petitioner could exchange confidential information with counsel for Mackenzie & Feimann. The conference was held on June 3, 1981.

THE PETITIONER AND THE COUNTER-PETITIONERS

Dominion Colour was established in 1946, in New Toronto, to supply the needs of its parent company, Canadian Wallpaper Manufacturers (now Reed Decorative Products) and to manufacture high quality pigments to meet the increasing demand for these goods in the paint and printing ink industries. In 1970, the company opened a second plant in Ajax, Ontario, to produce a number of inorganic pigments. In the course of the 1970's, production was rationalized between the two plants. Since 1979, the Ajax plant has been producing all the company's inorganic products and the New Toronto plant all of its organic pigments, including Red Lake C. The production of Red Lake C comprises approximately 20 per cent of the total output of the plant.

The New Toronto plant currently employs 67 people. It has a production area of 80,000 square feet and an annual production of 600 metric tons of organic pigments. The replacement value is estimated at \$15 million dollars.

Mackenzie & Feimann is a wholly Canadian-owned distributor of chemicals and chemical products, with head office in Vancouver, British Columbia, and branches with warehousing facilities in various provinces. The company was incorporated on March 31, 1944, to distribute industrial chemicals and raw materials produced in Canada and elsewhere.

In 1950, the company expanded its operations and established a wholly owned subsidiary, Pacific Industries Ltd., to compound and manufacture a variety of chemical products, with plants located in Vancouver and Edmonton. Products include household as well as heavy industrial cleaners, specialty chemicals for the oil and gas industry, and chemicals for construction and for swimming pools.

The second counter-petition was presented by Korea on behalf of Korean manufacturers of Red Lake C and other pigments and dyestuffs. In the process of inquiry, the Board has determined that Dai Han Colour, established in 1977, is the main exporter of Red Lake C to Canada.

IMPORTS OF RED LAKE C

A special study by the Board of imports of Red Lake C revealed that GPT imports of this good have entered only from Korea and India. Korea has accounted for the bulk of these GPT imports; the volume imported from India has been small as shown below. Furthermore, the import analysis indicated that in 1980 GPT imports from Korea and India comprised 85 per cent of total Canadian Red Lake C imports.

Inasmuch as Canadian import figures of Red Lake C are confidential, the Board is presenting Korean export statistics to demonstrate the volume and trend of these imports. These statistics were in general confirmed by the confidential data obtained by the Board. Moreover, total imports from Korea under tariff item 93205-3, including organic pigments and dyestuffs other than Red Lake C and amounting to \$6,000 in 1978, \$361,000 in 1979 and \$508,000 in 1980 respectively, also substantiate in broad terms the Korean export figures. Imports from India under the same tariff item were nil in 1978 and 1979, and totalled \$12,000 in 1980.

KOREAN EXPORTS OF RED LAKE C

Total				Canada		
	<u>Kgs.</u>	<u>Cdn \$</u>	<u>\$/kg*</u>	<u>Kgs.</u>	<u>Cdn \$</u>	<u>\$/kg*</u>
1978 -	38,795	131,032	3.38	1,800	5,940	3.30
1979 -	178,174	857,633	4.81	60,100	299,123	4.98
1980 -	245,980	1,402,004	5.70	57,600	331,338	5.75

* f.o.b. Korea.

It appears, therefore, that Korean Red Lake C entered the Canadian market in small amounts for the first time in 1978. These initial offerings, however, were followed by vastly greater volumes in 1979 and 1980. Korean exports of Red Lake C to Canada in these two years have comprised between a quarter and a third of total Korean Red Lake C exports.

THE IMPACT OF THE GPT IMPORTS

At the time of the initial Korean imports of Red Lake C into Canada's market, Dominion Colour was the sole producer in Canada of Red Lake C and supplied almost the entire Canadian market. A second Canadian producer of Red Lake C, Chemetron, a subsidiary of a U.S. manufacturer of Red Lake C, with a plant in Port Hope, had, as a result of a series of setbacks including a fire and a strike, ceased production in 1977. The petitioner's pricing policy at that time was governed primarily by the MFN rate of duty, and thus by the duty-paid c.i.f. price of imported Red Lake C from the United States and Europe, resulting in prices which covered production costs and, in the opinion of the Board, normal profit.

World and domestic prices of Red Lake C had risen substantially prior to 1978, in large part due to higher oil prices after 1973 because the good at issue is a heavy user of oil-based materials. These cost pressures on the price of Red Lake C continued unabated during the period under review.

The initial entry of Korean imports of Red Lake C into the Canadian market in 1978 was priced by Mackenzie & Feimann to Canadian users at \$5.84 per kilogram, or 24 per cent below the comparable list price of Dominion Colour of \$7.72. During 1979 and 1980, as Korean imports of Red Lake C increased their penetration of the domestic market, the differential between the price in Canada of the Korean import and that of Dominion Colour narrowed to less than 5 per cent, i.e., to less than the GPT margin of preference. During this period, reflecting increasing production costs, the petitioner changed the price of Red Lake C several times.

By the middle of 1980, the petitioner's share of the domestic market had dropped to about 50 per cent. Production of Red Lake C declined sharply, unsold inventories accumulated, capacity utilization dropped and production workers were laid off. At this juncture, in order to halt the erosion of its market position and to recoup its lost share of the market, the petitioner lowered its list price. This move, followed by a similar action by the importer of the Korean product, resulted in a loss on Red Lake C production and a negative cash flow for the New Toronto plant as a whole.

In April 1981 the importer raised his list price to that of Dominion Colour, following which the petitioner was partially successful in recovering lost sales.

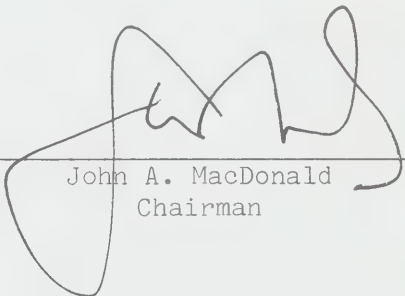
CONCLUSIONS AND RECOMMENDATIONS


On the basis of the preceeding findings, the Board concludes that imports of Red Lake C, an organic pigment dyestuff, from the Republic of Korea, entering under tariff item 93205-3 at GPT rates of duty, are causing injury to Dominion Colour Company, the Canadian producer of Red Lake C, and that this injury is attributable to the reduced GPT rate of duty.


The Board, furthermore, concludes that withdrawal of the GPT margin of preference with respect to Red Lake C imports from the Republic of Korea would likely provide significant relief to Canadian production of this good.

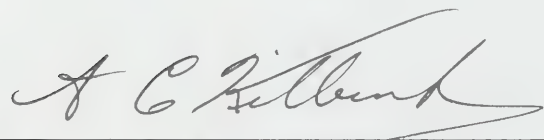
The Board also concludes that such imports entering under tariff item 93205-3 at GPT rates of duty from India have not injured the petitioner.

Therefore, the Board recommends that, with respect to Red Lake C imported from the Republic of Korea under tariff item 93205-3, the GPT rate of duty be withdrawn for a period of three years effective immediately, subject to a review on expiry.



John A. MacDonald
Chairman

G. Deachman
First Vice-Chairman

G.J. Gorman
Second Vice-Chairman

A.C. Kilbank
Member

K.C. Martin
Member

J. Bertrand
Member

R.K. Matthie
Member

APPENDIX A

The Minister's Letter of Reference

July 24, 1980

Mr. John A. MacDonald
Chairman
Tariff Board
365 Laurier Avenue West
Ottawa, Ontario
K1A 0G7

Dear Mr. MacDonald:

I am writing to ask the Tariff Board to study and report under section 4(2) of the Tariff Board Act on a number of matters relating to the General Preferential Tariff (GPT).

The Canadian GPT was implemented in 1974 as part of an international system of tariff preferences designed to assist developing countries to expand their exports of manufactures and semi-manufactures to developed country markets. The preferential rate on industrial products covered by the Canadian scheme is established by legislation at two-thirds of the Most-Favoured-Nation (MFN) rate of duty or the British Preferential (BP) rate, whichever is lower. Specific preferences have also been established for selected agricultural products. Most textile products, leather footwear and certain electron tubes and parts were excluded from the coverage of the GPT by Order in Council under the safeguard clause because of the particular sensitivity of Canadian production in these sectors to import competition.

Since it came into effect in 1974, the GPT has been the subject of numerous and often conflicting representations. On the one hand, developing countries seeking to improve their competitive position vis-a-vis developed countries in the Canadian market have requested that preferences under the GPT be improved and also that the product coverage of the scheme be expanded. Most recently developing countries have expressed concern that the lowering of MFN tariff rates as a result of the multilateral trade negotiations (MTN) will yield smaller margins of preference for developing countries under the GPT than at present. They are seeking further improvements to the Canadian scheme so that their relative competitive position in the Canadian market will be enhanced or, at least, maintained.

On the other hand certain Canadian producers have expressed dissatisfaction and concern over the granting of preferential access to the Canadian market for developing countries. They argue that for many products these countries no longer need preferential access to compete in the Canadian market and that Canadian production and employment may be threatened by these preferences. Canadian producers have also alleged that the current safeguard provisions under the GPT are inadequate and do not allow for prompt consideration and open review of petitions for withdrawal or suspension of preferences.

In response to these latter representations and in order to be in a position to consider improvements to the GPT, the government will be introducing legislation to change the safeguard provisions of the GPT legislation. These changes will be designed primarily to facilitate the review of petitions from Canadian industry for withdrawal or suspension of the GPT preference on particular products from either one or all GPT beneficiaries. The proposed changes would include a provision to allow Canadian producers to petition the Tariff Board directly to determine whether imports at GPT rates are causing or threatening to cause them injury and, in the case of a positive finding, to recommend appropriate safeguard action to the government. Authority for the Governor in Council to establish tariff rate quotas, on the recommendation of the Tariff Board, as an alternative to outright exclusion of products from the GPT, would also be provided for in the amended GPT legislation. (Under a tariff rate quota the MFN tariff rate would be automatically restored when imports at the preferential rate reach a predetermined level). These changes should, if implemented, reassure Canadian producers that their requests for safeguard action will be given prompt consideration under procedures which allow for extensive input by, and consultation with, Canadian industry. At the same time, developing countries or their representatives would have the opportunity to make representations to the Board on any petition for safeguard action.

I recognize, however, that legislation will take time and that Canadian producers have an immediate concern. I would therefore like to meet that concern as far as possible within the context of existing legislation. Accordingly, I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury. If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers. The Board shall report its findings to me within six months of commencing its inquiry together with its recommendations as to whether in the particular instance the General Preferential Tariff should be withdrawn in whole or in part. If as the inquiry proceeds the Board is satisfied that there is a situation requiring urgent action, it shall make an interim report and recommendation prior to its final report and recommendation. In addition to the views of Canadian producers the Board should, in carrying out the inquiry, invite and take into account the views of the exporting beneficiary country or countries, exporting firms or representatives thereof as well as Canadian importers and consumers.

Given the reassurances that will be provided Canadian producers upon implementation of the proposed changes to the safeguard provisions, and bearing in mind the results of the MTN, the government also considers it timely and appropriate to review what changes or improvements to the GPT scheme may be possible to deal with the concerns of developing countries noted above. I would not want to propose such changes or improvements, however, unless it were determined that Canadian interests would not be adversely affected. I, therefore, direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act, to review and report on the expected impact on Canadian production of including in the GPT those products covered by the tariff items listed in Group I of Annexes A and B to this letter, and the expected impact on Canadian production if the preferential rate under the GPT were established at Free for those products covered by the tariff items listed in Group II of Annexes A and B. I would also ask the Board to include in its report recommendations, based on its findings, as to whether any of the products covered by the tariff items in Group I should be included in the GPT and if so at what rates, and whether any of the products covered by the items in Group II should be allowed duty-free entry under the GPT.

If the Board should conclude that the inclusion in the GPT of some of the goods which are now excluded would be facilitated by the establishment of tariff rate quotas for those products, I would ask the Board also to make recommendations regarding the levels of such quotas. With regard to the GPT rates which the Board might recommend for products which are now excluded from the GPT, but for which the GPT rate formula would apply if they were included in the GPT, I would ask the Board to consider only two options: duty-free entry or the formula rate (i.e. the MFN rate minus one-third or the BP rate if it is lower).

I would ask that the Tariff Board report not later than nine months from the date of this letter on the tariff items listed in Annex A. The Board's report on the items listed in Annex B should be submitted within one year of its report on the items listed in Annex A.

Yours sincerely,

Allan J. MacEachen

Je demanderais à la Commission du tarif de faire rapport dans les neuf mois qui suivront la date de réception de la présente lettre sur les numéros tarifaires figurant à l'Annexe A. Le rapport de la Commission sur les numéros figurant à l'Annexe B devrait être présenté dans l'année qui suit la présentation de son rapport sur les numéros figurant à l'Annexe A.

Je vous prie d'agréer, Monsieur, l'expression de ma considération distinguée.

Allan J. MacEachern

produit ou des produits en question permettrait en fait de soulager les producteurs canadiens. La Commission doit me signaler ses conclusions dans les six mois qui suivent et me faire part de ses recommandations quant à la question de savoir s'il y a lieu, dans le cas particulier, de retirer totalement ou partiellement le Tarif de préférence général. Si, au cours de l'enquête, la Commission est convaincue que la situation nécessite la prise urgente de mesures, elle doit faire un rapport et présenter des recommandations provisoires. En plus de demander aux producteurs canadiens de donner leur point de vue, la Commission devrait, dans le cadre de son enquête, inviter les pays exportateurs bénéficiaires, les entreprises exportatrices ou leurs représentants ainsi que les importateurs et les consommateurs canadiens à faire connaître leur point de vue et en tenir compte.

Compte tenu, d'une part, des garanties qui seront offertes aux producteurs canadiens lors de la mise en oeuvre des changements proposés aux dispositions de sauvegarde et, d'autre part, des résultats des NCM, le gouvernement considère également qu'il convient actuellement d'examiner quels sont les changements ou les améliorations qui pourraient être apportés au TPG en réponse aux inquiétudes exprimées par les pays en voie de développement tel que mentionnées plus haut. Toutefois, je ne voudrais pas proposer de tels changements ou de telles améliorations à moins qu'il soit déterminé que les producteurs canadiens ne subiront pas d'effets néfastes. Par conséquent, je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier les incidences prévues sur la production canadienne de l'application du TPG aux produits figurant aux numéros tarifaires du Groupe I des Annexes A et B de la présente lettre et les incidences prévues sur la production canadienne de l'octroi de l'entrée en franchise de droits sous le régime du TPG dans le cas des produits figurant aux numéros tarifaires du Groupe II des Annexes A et B et de faire rapport à ce sujet. Je demande également à la Commission d'inclure dans son rapport des recommandations, fondées sur ses conclusions, quant à la question de savoir s'il y aurait lieu d'appliquer le TPG aux produits figurant aux numéros tarifaires du Groupe I et, le cas échéant, à quels taux et quant à la question de savoir s'il y aurait lieu de permettre l'entrée en franchise en vertu du TPG de l'un ou l'autre des produits figurant aux numéros du Groupe II.

Si la Commission devait conclure que l'application du TPG dans le cas de certains des produits qui en sont actuellement exclus serait facilitée par l'établissement de contingents tarifaires à l'égard de ces produits, je demanderais également à la Commission de faire des recommandations concernant les niveaux de ces contingents. En ce qui concerne les taux du TPG que la Commission pourrait recommander dans le cas des produits qui sont actuellement exclus, mais dans le cas desquels la formule d'établissement du taux du TPG s'appliquerait s'ils étaient inclus, je demanderais à la Commission de limiter son étude soit à l'entrée en franchise ou à l'établissement d'un taux établi selon la formule (c'est-à-dire, le taux de la NPF moins le tiers ou le taux de PB s'il est inférieur).

peuvent menacer la production et l'emploi au Canada. Les producteurs canadiens ont également soutenu que les dispositions actuelles de sauvegarde prévues en vertu du TPG sont insuffisantes et ne permettent pas d'étudier rapidement les demandes de retrait ou de suspension des préférences ni d'effectuer un examen public à ce sujet.

En réponse à ces dernières représentations et afin d'être en mesure d'envisager la possibilité d'améliorer le TPG, le gouvernement présentera un projet de loi visant à modifier les dispositions de sauvegarde sous le régime du TPG. Ces changements seront conçus principalement afin de faciliter l'examen des demandes de l'industrie canadienne en ce qui concerne le retrait ou la suspension du TPG dans le cas de produits particuliers provenant de l'un ou l'autre des bénéficiaires du TPG. Les changements proposés comprendraient une disposition visant à permettre aux producteurs canadiens de demander directement à la Commission du tarif de déterminer si des importations, au taux du TPG, leur causent ou menacent de leur causer un préjudice et, dans le cas d'une conclusion affirmative, de recommander des mesures appropriées de sauvegarde au gouvernement. Les nouvelles dispositions accorderaient aussi au gouvernement en conseil le pouvoir d'établir des contingents tarifaires, suite à une recommandation de la Commission du tarif, comme solution de rechange à l'exclusion totale de produits de l'application du TPG. (En vertu d'un contingent tarifaire, le taux du tarif de la NPF serait automatiquement rétabli lorsque les importations, au taux préférentiel, atteignent un niveau déterminé à l'avance.) Ces changements devraient, s'ils sont mis en oeuvre, permettre de garantir aux producteurs canadiens que leurs demandes d'application de mesures de sauvegarde seront étudiées rapidement selon des procédures qui permettent de consulter et de faire participer dans une grande mesure l'industrie canadienne. En même temps, les pays en voie de développement ou leurs représentants pourraient faire des représentations à la Commission en ce qui concerne toute demande d'application de mesures de sauvegarde.

Toutefois, je reconnais qu'il faudra du temps pour présenter un projet de loi et que les producteurs canadiens ont un problème urgent. J'aimerais donc régler ce problème dans la mesure du possible dans le contexte de la législation existante. Par conséquent, je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite de l'application du tarif de préférence général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée. Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations aux taux réduits en vertu du TPG. À mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG à l'égard du

1e 24 juillet 1980

Monsieur John A. MacDonald
Président
Commission du tarif
365 ouest, avenue Laurier
Ottawa (Ontario)
K1A 0G7
Monsieur,

La présente a pour but de demander à la Commission du tarif d'étudier, en vertu du paragraphe 4(2) de la Loi sur la Commission du tarif, un certain nombre de questions relatives au Tarif de préférence général (TPG) et de faire rapport à ce sujet.

En 1974, le Canada a instauré le TPG dans le cadre d'un système international de préférences tarifaires visant à aider les pays en voie de développement à accroître leurs exportations de produits manufacturés et semi-manufacturés vers les marchés des pays développés. Le taux préférentiel sur les produits industriels assujettis au régime canadien est établi par voie de législation et correspond aux deux tiers du Tarif de la nation la plus favorisée (NPF) ou du Tarif de préférence britannique (PB), le moins élevé de ces taux étant à retenir. Des préférences particulières ont également été établies dans le cas de certains produits agricoles. Le TPG ne s'applique pas à la plupart des produits du textile, aux chaussures en cuir et à certains tubes électroniques et leurs pièces en raison d'un décret pris en vertu de la clause de sauvegarde; cette mesure a été prise en raison de la vulnérabilité particulière à la concurrence étrangère des producteurs canadiens dans ces secteurs.

Depuis son entrée en vigueur en 1974, le TPG a fait l'objet de nombreuses représentations souvent opposées. D'une part, les pays en voie de développement, qui cherchent à améliorer leur position concurrentielle par rapport aux pays développés sur le marché canadien, ont demandé une amélioration des préférences accordées en vertu du TPG et également un accroissement du nombre de produits assujettis au régime. Plus récemment, les pays en voie de développement ont dit s'inquiéter du fait que la réduction des taux du tarif de la NPF, à la suite des négociations commerciales multilatérales (NCM), entraînera une diminution des marges de préférence dont ils bénéficient en vertu du TPG. Ces pays demandent que l'on améliore davantage le régime canadien afin que leur position concurrentielle relative sur le marché canadien soit améliorée ou, du moins, maintenue.

Par contre, certains producteurs canadiens ont exprimé leur insatisfaction et leurs préoccupations au sujet de l'octroi aux pays en voie de développement de l'accès préférentiel au marché canadien. Ils prétendent que, dans le cas de bon nombre de produits, ces pays n'ont plus besoin d'un accès préférentiel pour concurrencer sur le marché canadien et que ces préférences

La Lettre de mandat du Ministre

ANNEXE A

La Commission conclut également que les importations de l'Inde qui sont admises sous le numéro tarifaire 93205-3 au taux de droits du TPG n'ont pas porté préjudice au demandeur.

La Commission recommande donc, en ce qui concerne la Red Lake C limitée de la République de Corée sous le numéro tarifaire 93205-3, que l'on retire immédiatement le taux de droit du TPG pour une période de trois ans, sous réserve d'une nouvelle étude lors de l'expiration de cette période.

Le président
John A. MacDonald

Le premier vice-président
G. Deachman

Le deuxième vice-président
G.J. Gorman

membre de la Commission
A.C. Kilbank

membre de la Commission
K.C. Martin

membre de la Commission
J. Bertrand

membre de la Commission
R.K. Mathie

Ottawa
le 9 juillet 1981

1977. A cette époque la politique d'établissement des prix du demandeur était principalement déterminée par le taux des droits de la NPF et donc par le prix c.a.f., franc de douane, de Red Lake C importée des Etats-Unis et d'Europe. Les prix qui en découlaient correspondaient au prix de revient et, selon l'opinion de la Commission, à un bénéfice normal.

Les prix intérieurs et mondiaux de Red Lake C avaient beaucoup augmenté avant 1978, en grande partie à cause des prix plus élevés du pétrole après 1973 parce que la marchandise en question exige l'utilisation d'une grande quantité de dérivés du pétrole. La pression des coûts sur le prix de la Red Lake C se poursuivait sans interruption pendant la période à l'étude.

Lors de l'introduction initiale sur le marché canadien de Red Lake C de Corée, Mackenzie & Feimann fixèrent pour les utilisateurs canadiens un prix de \$5.84 par kilo soit 24 pour cent de moins que le prix courant comparable de Dominion Colour qui s'élevait à \$7.72. En 1979 et en 1980, alors que les importations de Red Lake C en provenance de Corée s'ajustèrent une partie plus importante du marché intérieur, la différence de prix au Canada entre les importations de Corée et la production de Dominion Colour diminua jusqu'à moins de 5 pour cent, c'est-à-dire moins que la marge de préférence accordée par le TFG. Au cours de cette période, le demandeur modifia plusieurs fois le prix de Red Lake C, en raison d'une augmentation des prix de revient.

Au milieu de l'année 1980, la part du marché intérieur détenue par le demandeur avait décliné jusqu'à 50 pour cent environ. La production de Red Lake C diminua de façon substantielle, les stocks inventés s'accumulèrent, l'utilisation du potentiel de production déclina et des employés à la production furent mis à pied. C'est alors que le demandeur baissa son prix courant afin de mettre fin à l'érosion de sa position sur le marché et de récupérer sa part du marché qu'il avait perdue. Cette mesure, qui fut suivie par une mesure similaire de l'importateur du produit coréen, se traduisit par une diminution de la production de Red Lake C et une réduction de revenus courants pour l'usine de New Toronto dans son ensemble.

En avril 1981, l'importateur augmenta son prix courant qui fut alors comparable à celui de Dominion Colour et le demandeur parvint alors à récupérer une partie des ventes perdues.

CONCLUSIONS ET RECOMMANDATIONS

En se basant sur les constatations qui précèdent, la Commission conclut que les importations de Red Lake C, un pigment organique colorant provenant de Corée, admises sous le numéro tarifaire 93205-3 aux taux de droit du TFG, portent préjudice à Dominion Colour Company, le producteur canadien de Red Lake C et que ce préjudice est imputable au taux de droits réduit du TFG. La Commission conclut en outre que le retrait de la marge de préférence du TFG, en ce qui concerne les importations de Red Lake C de la République coréenne, aiderait probablement beaucoup la production canadienne de cette marchandise.

L'analyse des importations fit ressortir qu'en 1980 les importations admises en vertu du TPG de la Corée et de l'Inde comprenaient 85 pour cent du total des importations canadiennes de Red Lake C.

Etant donné que les chiffres des importations canadiennes de Red Lake C sont confidentiels, la Commission présente les statistiques des exportations coréennes afin de démontrer le volume et les tendances de ces importations. Dans l'ensemble, les données confidentielles obtenues par la Commission ont confirmé ces statistiques. En outre, les importations totales de Corée sous le numéro tarifaire 93205-3, comprenant des pigments organiques et des matières colorantes autres que la Red Lake C et s'élevant à \$6,000 en 1978, \$361,000 en 1979 et \$508,000 en 1980 respectivement, confirment dans l'ensemble les chiffres des exportations coréennes. Sous le même numéro tarifaire, les importations de l'Inde étaient nulles en 1978 et en 1979 et s'élevèrent à \$12,000 en 1980.

EXPORTATIONS COREENNES DE RED LAKE C

Total			Canada		
Kgs.	\$ Can.	\$/kg*	Kgs.	\$ Can.	\$/kg*
1978 -	38,795	131,032	1,800	5,940	3.30
1979 -	178,174	857,633	60,100	299,123	4.98
1980 -	245,980	1,402,004	57,600	331,338	5.75

* F.a.b. Corée.

Il semble donc que la Red Lake C coréenne ait pénétré sur le marché canadien, en petites quantités, pour la première fois en 1978. Cependant, par la suite, ces quantités s'accroissent d'une façon considérable en 1979 et en 1980. Au cours de ces deux années les exportations coréennes de Red Lake C au Canada ont représenté entre un quart et un tiers du total des exportations coréennes de Red Lake C.

INCIDENCE DES IMPORTATIONS AU TITRE DU TPG

Lorsque l'on commença à importer de la Red Lake C de Corée pour le marché canadien, Dominion Colours était le seul producteur au Canada de Red Lake C et fournissait presque tout le marché canadien. Un second producteur canadien de Red Lake C, Chemetron, la filiale d'un fabricant américain de Red Lake C, qui disposait d'une usine à Port Hope avait à la suite d'une série de revers, comprenant notamment un incendie et une grève, cessé la production en

LE DEMANDEUR ET LES CONTRE-DEMANDEURS

Dominion Colours fut établi en 1946, à New Toronto, en vue de satisfaire aux besoins de sa compagnie mère, Canadian Wallpaper Manufacturers (maintenant Reed Decorative Products) et de fabriquer des pigments de haute qualité pour répondre à la demande croissante, portant sur ces marchandises, des secteurs de la peinture et de l'encre d'imprimerie. En 1970, à Ajax, en Ontario, la compagnie ouvre une deuxième usine devant produire un certain nombre de pigments inorganiques. Au cours des années 70, la production fut rationalisée entre les deux usines. Depuis 1979, l'usine d'Ajax a fabriqué tous les produits inorganiques de la compagnie et celle de New Toronto, tous ses pigments organiques, notamment le Red Lake C. La production de Red Lake C correspond à quelque 20 pour cent de la production totale de l'usine.

Il y a actuellement 67 employés dans l'usine de New Toronto. L'aire de production comprend 80,000 pieds carrés et la production annuelle s'élève à 600 tonnes métriques de pigments organiques. La valeur de remplacement est évaluée à 15 millions de dollars.

Mackenzie & Feimann est un distributeur d'appartenance complètement canadienne de produits chimiques dont le siège social est à Vancouver en Colombie-Britannique et qui possède des succursales munies d'entrepôts dans diverses provinces. La compagnie fut constituée en corporation le 31 mars 1944 en vue de commercialiser des produits chimiques industriels et des matières premières provenant du Canada et d'ailleurs.

En 1950, la compagnie élargit ses opérations et établit une filiale possédée en propriété exclusive, Pacific Industries Ltd., chargée de composer et de fabriquer divers produits chimiques, et dont les usines étaient situées à Vancouver et à Edmonton. Entre autres produits, mentionnons des produits de nettoyage à usage ménager et également des produits concentrés à usage industriel, des produits chimiques spéciaux pour l'industrie du pétrole et du gaz et également des produits chimiques pour la construction et pour les piscines.

La deuxième contre-demande fut présentée par la Corée pour le compte des fabricants coréens de Red Lake C et d'autres pigments et matières colorantes. Dans le cadre de l'enquête, la Commission a déterminé que Dai Han Colours, établie en 1977, était le principal exportateur de Red Lake C au Canada.

IMPORTATIONS DE RED LAKE C

Une étude spéciale effectuée par la Commission et portant sur les importations de Red Lake C révéla que les importations de ce produit en vertu du TPG proviennent seulement de Corée et de l'Inde. La plus grande partie de cette laque importée en vertu du TPG vient de Corée; comme on l'indique ci-dessous le volume importé de l'Inde a été de peu d'importance. En outre,

Description des produits	Tarif de préfé- rence britann- nique	Tarif de la nation la plus favorisée	Tarif général	Tarif préfé- rentiel général	Royaume- Uni et Irlande
types dits "agents de blanchiment optique"; in- fixables sur fibre; in- digo naturel:					
205-3 Matières colorantes, n.d.	10 p.c.	14.4 p.c.	25 p.c.	9.5 p.c.	12.5 p.c.

Le numéro tarifaire 93205-3 fut incorporé au TPG lors de son intro-
duction originale le 1er juillet 1974 au taux réduit de 10 pour cent confor-
mément à la formule du tarif moins élevé - le tarif de la nation la plus favo-
risée réduit d'un tiers, qui à ce moment s'élevait à 15 pour cent ou le tarif
PB.

Depuis lors, à la suite des réductions introduites dans le cadre de
négociations commerciales multilatérales, le tarif de la NPF fut réduit à 14.7
pour cent le 1er juillet 1980 et à 14.4 pour cent le 1er janvier 1981. Le
taux du TPG fut abaissé à 9.5 pour cent le 1er juillet 1980. Le tarif de PB
est demeuré à 10 pour cent pendant toute cette période.

La marge actuelle de préférence accordée par le TPG par rapport au
tarif de la NPF s'élève à 4.9 points de pourcentage. Dominion Colours demande
que l'on retire cette marge aux importations de Red Lake C, en provenance de
Corée, en rétablissant le tarif de 14.4 pour cent de la NPF. Le retrait du
TPG en ce qui concerne les importations de Red Lake C en provenance de l'Inde
se traduirait par une différence de 0.5 point de pourcentage, la marge de
préférence entre le TPG et le tarif de PB.

PROCEDURE SUIVIE

La Commission reçoit la déclaration d'intention de Dominion Colours,
relative à la demande de mesures de sauvegarde, le 3 mars 1981. Le cas de
préjudice prima facie fut déterminé le 1er avril 1981 par la Commission et
l'avis correspondant parut dans la Gazette du Canada le 25 avril 1981, accom-
pagné par un avis d'audience publique pour le 10 juin 1981.

Une conférence antérieure à l'audition fut organisée par la Commis-
sion afin que le conseiller du demandeur puisse échanger des renseignements
confidentiels avec le conseiller de Mackenzie & Feimann. La conférence eut
lieu le 3 juin 1981.

La Red Lake C est un pigment organique qui sert principalement à la fabrication d'encre d'imprimerie.

CONTRE-DEMANDES

Deux contre-demands furent soumises à la Commission s'opposant au retrait des avantages du TPG pour la Red Lake C qui est actuellement importée de pays jouissant du taux TPG. La première présentation provenait de Mackenzie & Feilman Ltd., le seul importateur de Red Lake C de Corée. Selon cette firme, les importations de Red Lake C de Corée n'ont pas causé de préjudice à Dominion Colour. Les difficultés rencontrées par Dominion Colour étaient attribuables au fait que l'entreprise ne cherchait pas à être concurrentielle dans le domaine des prix. Par conséquent, le retrait demandé du taux de TPG ne serait pas bénéfique pour le producteur canadien.

La deuxième contre-demande fut présentée par la Corée. Tout en reconnaissant que les importations au Canada en provenance de Corée s'étaient récemment accrues d'une façon rapide, le mémoire soutenait que, néanmoins, ces importations ne constituent pas un facteur important dans le marché canadien des matières colorantes. On demandait donc que le Canada continue à accorder les avantages du TPG aux matières colorantes de Corée de façon à aider les industries des pays en voie de développement. En outre, dans le cas de la Corée, cette aide serait bénéfique aux producteurs coréens qui éprouvent des "difficultés très sérieuses" parce qu'il est nécessaire d'importer les matières premières dérivées du pétrole pour la production des matières colorantes.

LE NUMERO TARIFAIRE

La description du numéro tarifaire 93205-3, sous lequel la Red Lake C est importée, figure ci-dessous ainsi que les taux actuels de droits:

Numéro tarifaire	Description des produits	Tarif de préférence britannique	Tarif de la nation la plus favorisée	Tarif général	Tarif préférentiel général	Royaume- Uni et Irlande
93205 - Matières colo- rantes organiques syn- thétiques; produits or- ganiques synthétiques du genre de ceux uti- lisés comme "lumino- phores"; produits des						

RELATIF AU TARIF DE PREFERENCE GENERAL

DEMANDE DE MESURES DE SAUVEGARDE

PAR DOMINION COLOUR COMPANY LTD.

-- DEMANDE DE MESURES DE SAUVEGARDE No 5 --

ETUDE ET RECOMMANDATIONS

INTRODUCTION

Le ministère des Finances a demandé à la Commission du Tarif d'effectuer une enquête portant sur toute soumission d'un producteur canadien demandant le retrait du tarif de préférence général (TPG) en raison du préjudice causé par des importations entrant au taux du TPG. Une enquête devrait être tenue lorsque la Commission est convaincue qu'il semble, prima facie, y avoir préjudice. Le texte complet de la lettre de mandat du 24 juillet 1980 figure dans l'appendice A.

Pour l'enquête, on a demandé à la Commission de tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice et ceux qui sont mentionnés, par exemple, dans le code antidumping du GATT et le code sur les subventions et les droits compensateurs. L'enquête de la Commission devrait également tenir compte des opinions exprimées par les exportateurs et les importateurs canadiens et également de celles des autres parties intéressées.

Pour déterminer s'il convient ou non de recommander des mesures de sauvegarde, le ministre a enjoint la Commission "... d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations aux taux réduits en vertu du TPG ...". En outre, le ministre estimait également que "... la Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG ... permettrait en fait de soulager les producteurs canadiens ...".

Le présent rapport marque la fin de l'enquête de la Commission, bien avant l'expiration du délai de six mois fixé par le ministre dans sa lettre de mandat.

LA DEMANDE

Dominion Colour Company Ltd. a demandé à la Commission de retirer le privilège du TPG en ce qui concerne les importations de Red Lake C de la République de Corée (la Corée) et de l'Inde admises sous le numéro tarifaire 93205-3, parce que ces importations lui causaient un préjudice. Le retrait des avantages était demandé pour une période illimitée.

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RELATIF AU TARIF DE PREFERENCE GENERAL

DEMANDE DE MESURES DE SAUVEGARDE
PAR DOMINION COLOUR COMPANY LTD.

— DEMANDE DE MESURES DE SAUVEGARDE NO. 5 —

ETUDE ET RECOMMANDATIONS

K. C. MARTIN
Officier Audienrier

Ce rapport, préparé suite à une référence du ministre des Finances et signé par les membres de la Commission du tarif le 9 juillet 1981, a été remis au Ministre pour présentation au Parlement en vertu de l'article 6 de la Loi sur la Commission du tarif.

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CANADA

REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR EXTENSION OF
TEMPORARY SAFEGUARD ACTION
BY DOMINION COLOUR COMPANY LTD.

— SAFEGUARD PETITION NO. 5.1 —
REVIEW AND RECOMMENDATIONS



REFERENCE

158

A REVIEW BY
THE TARIFF BOARD

REFERENCE 158

**RELATING TO THE GENERAL
PREFERENTIAL TARIFF**

**PETITION FOR EXTENSION
OF TEMPORARY SAFEGUARD ACTION
BY DOMINION COLOUR COMPANY LTD.
— SAFEGUARD PETITION NO. 5.1 —
REVIEW AND RECOMMENDATIONS**

The Board, having considered the report of its Hearing Officer, Mr. K.C. Martin, and other material evidence with respect to this petition, submits its conclusions and recommendations in this report, pursuant to the reference by the Minister of Finance.

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REFERENCE 158
RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR EXTENSION OF
TEMPORARY SAFEGUARD ACTION
BY DOMINION COLOUR COMPANY LTD.
-- SAFEGUARD PETITION NO. 5.1 --

The Board, having before it the report of its Hearing Officer and the results of the related staff's inquiries, reports as follows.

INTRODUCTION

The petitioner, Dominion Colour Company Ltd., has requested the Board for an extension of the temporary safeguard action with respect to imports of Red Lake C, an organic pigment dyestuff, under the tariff item 93205-3, from the Republic of Korea and from India, two countries which benefit from the General Preferential Tariff (GPT) and which export this pigment to Canada. The request is based on the allegations that such imports continue to cause injury to the petitioner's production of Red Lake C at its plant in New Toronto in Ontario.

The original petition was heard by the Board pursuant to the letter of reference from the Minister of Finance, dated July 24, 1980, relating to the GPT. The review of the temporary safeguard action follows from the mandate in this regard arising from the letter of reference dated February 10, 1984. The relevant portions of the two letters are given below, while the letters in their entirety appear in Appendix A.

July 24, 1980

"I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury.

If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers."

February 10, 1984

"I am writing to provide further guidance to the Tariff Board in respect of the letter of reference of July 24, 1980, as it relates to petitions for temporary safeguard actions under the General Preferential Tariff (GPT).

I think it would be useful to clarify the Board's responsibilities in those instances where temporary safeguard actions have already been implemented by the government. As you no doubt appreciate, the government intends that these safeguard measures should be maintained only for such time as is necessary to prevent or remedy the injury caused domestic producers by the lower GPT rates.

I would therefore direct the Board, pursuant to section 4(2) of the Tariff Board Act, to collect any relevant information relating to a safeguard measure under the GPT while it is in effect, to receive and review petitions which may be made by interested parties relating to the future status of the measure and to report to the government on these petitions. The Board's report should be submitted to the Government not less than 60 days before the measure is due to lapse. Of course, should the Board not receive any petitions, I would not expect it to conduct any hearings and the measure would be allowed to lapse on its scheduled expiry date ...".

THE PREVIOUS TEMPORARY SAFEGUARD ACTION SUMMARIZED

In March 1981, Dominion Colour Company Ltd., (Dominion Colour), petitioned the Board to withdraw the GPT benefit with respect to imports of Red Lake C from the Republic of Korea (Korea) and India, entering under tariff item 93205-3, because such imports were causing injury to its operations. The public hearing for that safeguard petition (SP-5) was held on June 10, 1981. The Tariff Board, in its report to the Minister of Finance, dated July 9, 1981, concluded:⁽¹⁾

- i) that imports of Red Lake C, from Korea, entering under 93205-3 at GPT rates of duty, were causing injury to Dominion Colour, the Canadian producer of Red Lake C, and that this injury was attributable to the reduced GPT rate of duty;
- ii) that withdrawal of the GPT margin of preference with respect to Red Lake C imports from Korea would likely provide significant relief to the Canadian production of this good;
- iii) that such imports entering under tariff item 93205-3 at GPT rates of duty from India did not injure the petitioner, and recommended that:
- iv) the GPT rate of duty, with respect to Red Lake C imported from Korea under tariff item 93205-3 be withdrawn for a period of three years effective immediately, subject to a review on expiry.

The Board's report was tabled in Parliament on October 21, 1981, and an Order-in-Council implementing the Board's recommendations to withdraw the GPT rate of duty on imports of Red Lake C under tariff item 93205-3 from all eligible countries for a period of three years was issued on December 10, 1981. (Appendix B)

A Press Release to this effect was published by the Department of Finance on December 11, 1981, stating that the GPT rate was withdrawn on Red Lake C for a period of three years, i.e., from December 11, 1981 to December

(1) Reference 158, Relating to the General Preferential Tariff, Petition for Safeguard Action by Dominion Colour Company Ltd., - Safeguard Petition No. 5 - Review and Recommendations (July 9, 1981), p. 6.

11, 1984. (Appendix C) However, as the Board's investigations established subsequently, technical and administrative problems delayed by some months the actual implementation of the recommended withdrawal, i.e., the collection of additional duties upon entry into Canada.

THE PROCESS OF THE REVIEW INQUIRY AND THE PUBLIC HEARING

Following the Ministerial directive to the Tariff Board of February 10, 1984, the Board accepted a petition from Dominion Colour, of March 15, 1984, for a review of the temporary safeguard action concerning imports of Red Lake C from GPT countries. Subsequently, the Board issued Notice SP-5.1 on March 28, 1984, ordering a full public inquiry to commence, and announcing that a public hearing into this matter would be held beginning on June 5, 1984, in Ottawa. The notice was gazetted on April 7, 1984, and the Board distributed the notice as well, by way of information, to the GPT countries concerned and other parties who would be interested in the review and its outcome. As a result, the Board received an intervention by Ciba-Geigy Canada Ltd., (Ciba-Geigy).

The public hearing was duly held on the appointed day. A list of those who attended appears in Appendix D. A transcript of the proceedings of the public hearing is available at cost from the transcription service.

THE GOODS AT ISSUE

The product subject to the review is Red Lake C, an organic pigment used in the preparation of colours. Red Lake C, listed in the Colour Index⁽¹⁾ as Pigment Red 53:1, is a yellow-shade red pigment which is used extensively in the printing ink industry for colouring a wide variety of inks, including newspaper inks, inks for catalogues, packaging, stamps, comics, cartons, plastic bags, and other products. These inks range from high viscosity oil inks to low viscosity water or solvent-based flexographic inks.

(1) The Colour Index is a comprehensive classification system for dyes and pigments, published by "The Society of Dyers and Colourists" assisted by the "American Association of Textile Chemists and Colorists". This system clearly defines and identifies individual pigments or dyestuffs.

Red Lake C may also be used in colouring plastics, rubber, paints and other products, although the consumption in these areas represents less than 10.0 per cent of the total volume, the major usage being in printing inks.

Colour integrity and uniformity are considered important quality factors by users of Red Lake C. Superior quality inks require technically superior organic pigments, so much so that lesser quality pigments of the same colour index cannot be substituted for them in end uses.

Dominion Colour has developed a broad product range consisting of five types of Red Lake C. Differences in specific applicational requirements account for different customer preferences within the product range. All five types are covered by the present inquiry.

RELEVANT TARIFF ITEMS

The tariff item with respect to which the request for extension of the GPT withdrawal has been made is 93205-3. However, the Board's import study has revealed that significant volumes of Red Lake C also enter Canada from GPT countries under 93206-1. Both tariff items carry the same rates of duties as shown, and both were included in the review inquiry.

<u>Tariff Item</u>	<u>Description of Goods</u>	<u>British Preferential Tariff</u>	<u>Most-Favoured-Nation Tariff</u>	<u>General Tariff</u>	<u>General Preferential Tariff</u>	<u>U.K. & Ireland</u>
	93205 - Synthetic organic dyestuffs (including pigment dyestuffs); synthetic organic products of a kind used as luminophores; products of the kind known as optical bleaching agents, substantive to the fibre; natural indigo:					

<u>Tariff Item</u>	<u>Description of Goods</u>	<u>British Prefer- ential Tariff</u>	<u>Most- Favoured- Nation Tariff</u>	<u>General Tariff</u>	<u>General Prefer- ential Tariff</u>	<u>U.K. & Ireland</u>
93205-3	Pigment dyestuffs, n.o.p. ... on and after January 1, 1984	10 p.c.	13.4 p.c.	25 p.c.	8.5 p.c.*	12.5 p.c
93206-1	93206 - Colour lakes ... on and after January 1, 1984	10 p.c.	13.4 p.c.	25 p.c.	8.5 p.c.	12.5 p.c

* Temporarily withdrawn until December 11, 1984.

In 1981, when the imports of Red Lake C were initially examined, the MFN and GPT rates for tariff items 93205-3 and 93206-1 were 14.4 p.c. and 9.5 p.c., respectively, representing a differential of 4.9 percentage points. The BP rate stood at that time at 10 p.c., so that the differential between the GPT and the BP rates amounted to 0.5 percentage points. Since India can take advantage of the BP rate as well, the differential between the GPT and the BP rates must also be taken into account.

Following the agreement reached during the Tokyo Round of Multi-lateral Trade Negotiations (MTN), MFN rates for these two tariff items will be gradually reduced until 1987. The GPT rates will be lowered as well, in accordance with the formula that, where relevant, the GPT is set at two-thirds of the corresponding MFN rate adjusted downwards for decimals, or at the BP rate, whichever is the lower. Because of the nature of the formula, the reduction in the MFN rate, as shown on the next page, will also reduce by 1987 the differential between the MFN and GPT rates to 4.5 percentage points. However, since the BP rate will be maintained at 10 p.c., not only will the margin of preference of the BP rate relative to the MFN rate decrease from 4.4 in 1981 and 3.4 in 1984 to 2.5 percentage points by 1987; but the margin of preference of the GPT over the BP will increase from 0.5 points in 1981 and 1.5 points in 1984 to 2.0 percentage points in 1987. Thus the advantage of the BP rate as an alternative to the GPT rate, as in the case of India here, will be significantly reduced. Scheduled reductions in the MFN and the GPT rates follow.

	<u>MFN</u> p.c.	<u>GPT(1)</u> p.c.
January 1, 1984	13.4	8.5
January 1, 1985	13.1	8.5*
January 1, 1986	12.8	8.5*
January 1, 1987	12.5	8.0*

* Rounded off to a half percentage point.

(1) The GPT was extended this year until June 30, 1994.

THE PETITIONER AND THE INTERVENANT

Dominion Colour Company Ltd., was established in 1946 to supply the needs of its parent company for high quality pigments for the printing of wall paper and also to supply high quality pigments to the paint and printing ink industries in Canada. The company has since expanded, diversifying its product range, and established itself in a number of export markets. It now operates pigment production facilities at Ajax and Toronto. Production was rationalized between the two plants in the 1970s. Since 1979, the Ajax plant has been producing all of the inorganic pigments made by Dominion Colour, and the Toronto plant has been producing all of the organic pigments including the subject of this inquiry, Red Lake C. The production of Red Lake C accounts at present for about 16.0 per cent of the total output of this plant.

Ciba-Geigy Canada Ltd., the sole intervenant in the review process, has recently started to import Red Lake C from the Korean subsidiary of its multinational parent company. The Canadian branch company supported a re-instatement of the GPT upon expiry of the current temporary safeguard action.

Ciba-Geigy was formed on January 1, 1971, by the merger of two well-established chemical corporations. Ciba had been operating in Canada since 1922 and Geigy since 1945. Ciba-Geigy Canada Ltd., is a member of a multinational group of Ciba-Geigy A.G., with headquarters in Basel, Switzerland. The group specializes in the production of a variety of chemicals, with subsidiaries throughout the world.

The parent company Ciba-Geigy A.G., owns 50.0 per cent of Daihan Swiss Chemical Corporation, Seoul, Korea, in a joint venture with Dai Han Colour Company, a producer of Red Lake C.

In 1981, when the previous petition was heard, only Mackenzie & Feimann Limited, a company distributing industrial, household and specialty chemicals, imported Red Lake C from Korea. By the time of the review, in addition to Mackenzie & Feimann, Ciba-Geigy has commenced importing Red Lake C, as well as Grenhall Chemicals Ltd. As indicated however, only Ciba-Geigy intervened in the review process.

Throughout, Industrial Colours & Chemicals Limited has been the sole importer of Red Lake C from India, as available records show. That company did not intervene during the original petition or during the review.

IMPORT COMMODITY CLASSES AND IMPORTS OF RED LAKE C

In its submission to the Board, Dominion Colour assumed that all imports from Korea and India which enter under the five-digit commodity class 427-18 and tariff item 93205-3 subject to the review, represent Red Lake C. However, the seven-digit breakdown of this class shows that it also includes organic pigments other than Red Lake C.

In view of this problem of identification, a special study was conducted by the Board, using the classification of the Colour Index and company brand names. The results were checked with importers, and confirmed with the petitioner, i.e., Dominion Colour. The product names which were selected as representing Red Lake C are listed in Appendix E, together with other details concerning the selection.

The public hearing permitted a further refinement of the data. As a result, on the basis of the Board's study and the hearing evidence, details on Red Lake C entering under tariff items 93205-3 and 93206-1 and the following seven-digit commodity classes were used in the Board's analysis:

Organic Red and Maroon Pigments/Org Rm./

427-18-34	Pigments, organic, red, toluidine
427-18-35	Pigments, organic, red, lithol
427-18-39	Pigments, organic, red, nes

Pigments, Colour Lakes and Toners Nes/Pig Nes/

427-99-89	Pigments, colour lakes & toners, nes
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Since Dominion Colour's submission was based on all imports recorded under commodity class 427-18 as the only data publicly available, the information derived from unpublished and confidential sources, on which the Board's analysis rests, differs from that presented by the petitioner. In general, GPT imports were overstated by the petitioner. However, the differences, while significant, do not affect substantively the tenor of the analysis.

Based on import data obtained by the Board from customs documents, total imports of Red Lake C (RLC) from all sources amounted in 1981 to 92,642 kilograms, up almost 60.0 per cent from the 57,995 kilograms imported in 1980. During 1982 and 1983, shipments of RLC from abroad continued to increase, but now at a declining rate, reaching 102,253 kilograms in the latter year. (See Table 1)

Imports from Korea dropped by 50.0 per cent in 1981 compared to the previous year. This sharp reduction was likely due to the investigation of the original safeguard petition during the course of 1981. However, during 1982 and 1983, Korean suppliers increased their Canadian sales to such an extent as to recover all sales lost in 1981.

The volume of imports of RLC from India rose nearly four-fold in 1981, almost offsetting the reduced level of shipments from Korea in that year. Indian suppliers further increased their Canadian sales in 1982 by 45.6 per cent. Korean exporters, however, boosted their shipments to Canada in that year by 76.2 per cent, as imports from Korea still entered at some 9 p.c. duty rate, the application on entry of the MFN rate which otherwise would have

followed the withdrawal of the GPT having been delayed, while imports from India entered at 10 p.c., BP. During 1983, Korean shipments grew further by 20.8 per cent, while Indian sales in that year dropped sharply, although they were still more than three times their 1980 level.

Total imports from Korea and India rose by 39.4 per cent in volume, comparing 1983 with 1980, to a total of 69,987 kilograms. Most of this increase in GPT-country imports was attributable to higher shipments from India. However, Korean suppliers of RLC re-established their predominance in 1983 in absolute terms, a position which they had lost in 1981 and 1982. Imports of RLC from non-GPT countries also benefitted, like the Indian suppliers, from the expansion of total RLC imports into Canada in 1981 and from the simultaneous reduction in imports from Korea in that year. However, a large volume of non-GPT imports, originating in EEC countries, entered Canada at dumped prices, as found by the Anti-dumping Tribunal. The Tribunal, accordingly, ruled in 1983 in Dominion Colour's favour on this issue. While imports from countries involved in that process declined in that year, they were replaced in part by shipments from Taiwan, supplying the Canadian market for the first time in recent years.

In terms of the share of the Canadian RLC import market, it is evident that Korean suppliers lost ground in 1981 and that Indian and non-GPT exporters gained a significant market position. However, although by 1983 exporters from Korea doubled their share of Canadian imports of RLC held in 1981, the level attained in 1983 was only slightly more than one-half the share held in 1980, or prior to the withdrawal of the GPT. As a result of increased shipments since 1981 from Korea and the continuation of high volume imports from India, total GPT-country sales into Canada rose between 1981 and 1983 from 53.0 per cent of imports of RLC from all countries to 68.4 per cent. Despite this increase, however, the share in 1983 was lower than in 1980, when GPT imports, coming almost exclusively from Korea, supplied 86.5 per cent of the Canadian RLC market.

TABLE 1

IMPORTS OF RED LAKE C
1980 to 1983

<u>Country</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>Per Cent Changes</u>			
					<u>81/80</u>	<u>82/81</u>	<u>83/82</u>	<u>83/80</u>
		- kg. -				- % -		
GPT*	50,190	49,067	78,046	69,987	- 2.2	59.1	-10.3	39.4
Korea	-	-	-	-	-50.0	76.2	20.8	6.5
India	-	-	-	-	292.5	45.6	-40.0	242.9
Non-GPT	7,805	43,576	21,749	32,266	458.3	-50.1	48.4	313.4
Total	57,995	92,642	99,795	102,253	59.7	7.7	2.5	76.3
GPT as % of Total Imports	86.5	53.0	78.2	68.4				

* Korea and India combined for reasons of confidentiality.

Source: The Tariff Board.

THE CANADIAN MARKET, DOMESTIC OUTPUT AND IMPORT COMPETITION

Quarterly production data were supplied by the petitioner. Import data were obtained by the Board from import documents. The domestic market was calculated by adding imports to production net of exports. These data were expressed in kilograms, i.e., in volume terms. The quarterly data were then converted to indices, the first quarter of 1982 = 100, because the output and import figures are confidential. The review covers the first two years of the GPT withdrawal, 1982 and 1983, and the first quarter of the third year.

Table 2 shows that, with the exception of an upturn during the final quarter of 1982, domestic sales by Dominion Colour declined continuously. During the first quarter of 1984, such sales were more than 40.0 per cent below the volume for the base period. The decline in sales by the Canadian producer was at first a reflection of a temporary weakness in the Canadian

market for RLC. However, beginning with the third quarter of 1983, sales by the petitioner dropped off sharply while the domestic market expanded rapidly. As is evident, during this latter period imports both from GPT and non-GPT countries increased sharply, absorbing not only the entire growth in Canadian RLC disappearance, but also reducing further the petitioner's market position.

As a result, the share of the domestic market supplied by Dominion Colour, which ranged between 50.0 and 65.0 per cent in 1982 and into 1983, declined to 36.0 per cent during the second half of 1983, and dropped to 19.6 per cent in the first quarter of 1984. (Table 3) The share of Canadian consumption captured by GPT countries changed little during 1982 and 1983, so that it was non-GPT suppliers that obtained the share lost by the petitioner during the final two quarters of 1983. The improvement of non-GPT suppliers from less than 10.0 per cent at the beginning of 1982 to a peak of 24.5 per cent in the third quarter of 1983 reflects imports from Taiwan. However, GPT-country exporters advanced their position in the Canadian market vigorously in the first quarter of 1984 largely at the expense of sales by the domestic producer, although non-GPT imports were also adversely affected.

TABLE 2

RED LAKE C
DOMESTIC MARKET, SALES BY DOMINION COLOUR,
GPT AND TOTAL IMPORTS, BY
QUARTER, 1982 TO FIRST QUARTER 1984

<u>Year</u>	<u>Quarter</u>	<u>Domestic Market</u>	<u>DCC Sales</u>	<u>GPT Imports</u>	<u>Total Imports</u>
- Volume Indices - (First quarter of 1982 = 100)					
1982	1st	100.0	100.0	100.0	100.0
	2nd	99.8	92.7	112.6	107.9
	3rd	76.9	78.3	68.7	75.3
	4th	85.1	94.4	70.3	74.5
Average 1982		90.5	91.4	87.9	89.4

TABLE 2 (concl.)

<u>Year</u>	<u>Quarter</u>	<u>Domestic Market</u>	<u>DCC Sales</u>	<u>GPT Imports</u>	<u>Total Imports</u>
1983	1st	71.2	87.4	59.0	52.7
	2nd	72.6	79.9	56.8	64.4
	3rd	93.4	63.5	98.6	127.5
	4th	87.8	60.1	100.9	119.6
Average 1983		81.3	72.7	78.8	91.0
1984	1st	153.2	56.3	255.0	263.5

Source: The Tariff Board.

TABLE 3

RED LAKE C
SHARES OF DOMESTIC MARKET BY DOMINION COLOUR,
GPT AND NON-GPT IMPORTS, BY
QUARTER, 1982 TO FIRST QUARTER 1984

<u>Year</u>	<u>Quarter</u>	<u>DCC</u>	<u>- % -</u>	<u>GPT</u>	<u>Non-GPT</u>	<u>Total</u>
1982	1st	53.3		37.2	9.5	46.7
	2nd	49.5		41.9	8.6	50.5
	3rd	54.2		33.2	12.5	45.8
	4th	59.1		30.7	10.2	40.9
Average 1982		53.8		36.1	10.1	46.2
1983	1st	65.4		30.8	3.8	34.6
	2nd	58.6		29.1	12.4	41.4
	3rd	36.2		39.3	24.5	63.8
	4th	36.4		42.7	20.9	63.7
Average 1983		47.7		36.1	16.3	52.4
1984	1st	19.6		61.9	18.5	80.4

Source: The Tariff Board.

PRICE SUPPRESSION AND OTHER IMPACTS

Following the Board's recommendation of a withdrawal of the GPT in 1981, Dominion Colour took action to improve its prices for RLC, particularly as the cost of imported raw materials increased. However, continuing offers by importers of Korean and Indian product at low prices did not permit Dominion Colour to maintain normal margins for RLC produced in the New Toronto plant. The petitioner alleged that during that period more than one-half of its established customers changed over to Indian and/or Korean suppliers mainly because of the price. The petitioner was not able to meet such prices even after significant discounts. Unit import prices from GPT countries by and large remained constant during the years under review. They were consistently about one-half of the petitioner's unit production costs, with Indian prices in most instances slightly higher than prices of Korean imports.

The sharp decline in domestic output and sales of RLC necessitated a reduction of 30.7 per cent in employment related to production and distribution. Investment in machinery and equipment used to produce RLC has virtually ceased. Capacity utilization of the New Toronto plant manufacturing RLC has declined sharply, while inventories of this good were 87.7 per cent higher at the end of March 1984 than they were at the beginning of the 3-year period of the recommended GPT withdrawal.

SUMMARY OF EVIDENCE

The petitioner, Dominion Colour Company Ltd., has requested the Board for an extension of the temporary safeguard action with respect to imports of Red Lake C, an organic pigment dyestuff, from Korea and from India, two countries which benefit from the General Preferential Tariff, and which export this pigment to Canada. The original petition was heard on June 10, 1981. The Board subsequently recommended that the GPT be withdrawn for a period of three years, or until December 11, 1984, subject to a review upon expiry.

As the investigation attendant upon the review disclosed, technical and administrative problems delayed by some months the actual implementation of the recommended withdrawal, i.e., the levying of additional duties upon entry.

The review hearing took place on June 5, 1984. The request for extension was opposed by Ciba-Geigy, the Canadian branch of the multinational group of Ciba-Geigy, A.G., which has recently started to import Red Lake C from the Korean branch of the parent group.

The import data on Red Lake C required special analysis because of problems of classification. The Board's inquiry, carried out in consultation with the Canadian producer and importers, together with evidence presented at the hearing, established which of the specific dyestuffs are to be de facto considered Red Lake C. Moreover, that investigation also revealed that significant volumes of Red Lake C enter Canada from GPT countries under tariff item 93206-1 as well and not alone under 93205-1. The latter was cited by the petitioner as the sole relevant tariff item. The Board's analysis has, therefore, been based on GPT imports of Red Lake C, as defined by the Board, under the two tariff items. These data are confidential and not accessible to the public or the petitioner. As a result, the petitioner's presentation, based on publicly available data only, somewhat overstated the volume of imports of Red Lake C, without, however, adversely affecting the tenor of the analysis.

The two tariff items in question attract the same tariff rates. As of January 1, 1984, the MFN rate stood at 13.4 p.c., and the GPT rate at 8.5 p.c. As a result of MTN agreements, the MFN rate is scheduled to decline to 12.5 p.c. by 1987. The GPT rate, tied to the MFN rate by a formula, will be reduced to 8.0 p.c., by that time.

The BP rate amounted to 10 p.c., throughout the period under study. India, one of the GPT countries named in the request for an extension of the GPT, may also benefit from the BP rate. That rate is to continue to be applied as long as the underlying agreements are in force.

The differential between the MFN and the GPT rates will be maintained over time, because of their mutual interdependence. However, the differential between the GPT and the BP rates will increase as the former is reduced but the latter remains constant.

The volume of imports of Red Lake C declined somewhat in 1981 from the level attained a year earlier, as Korean imports were held back while the original petition process was in progress. In contrast, imports from India, negligible in 1980 and earlier, rose nearly four-fold in 1981, thus supporting the high level of supplies from GPT countries. India can also avail itself of the BP rate. At the same time, non-GPT imports experienced a five-fold increase in the volume.

Shipments from India continued to expand in 1982, the year following the recommendation for a temporary withdrawal of the GPT, although at a reduced rate. In contrast, the flow of supplies from Korea rose rapidly in that year so that, together, GPT imports were approximately 60.0 per cent greater in 1982 than in 1981, and well over the level attained in 1980, or prior to the petition process for a withdrawal of the GPT. Non-GPT imports declined meanwhile, in part at least likely because of the anti-dumping case brought forward by Dominion Colour.

By 1983, the upsurge of Indian shipments abated though the level attained in that year was more than double the volume imported from that country in 1980. Supplies from Korea regained their pre-eminence. But, in relative terms, Korea accounted for slightly more than one-half the share held in 1980. Non-GPT imports increased in 1983, mainly as a result of shipments from Taiwan, which was not subject to the anti-dumping inquiry and rulings, supplying the Canadian market for the first time in recent years.

GPT imports have lost the share of total imports of Red Lake C. From 86.5 per cent in 1980, that share declined to 68.4 per cent in 1983 as shipments from non-GPT countries expanded.

GPT shares of the domestic market, while remaining relatively constant in 1982 and 1983, doubled to over 60.0 per cent in the first quarter of 1984 from the comparable average for the two years.

The share of the domestic market by Dominion Colour, while holding out at around 50.0 per cent in 1982 and 1983, dropped to some 20.0 per cent by the first quarter of 1984.

A relatively steady increase in the share of the market was experienced by non-GPT imports.

Although following the temporary withdrawal of the GPT Dominion Colour took action to improve its prices for Red Lake C because of rising raw material costs, that initiative was negated by low prices of Korean and Indian imports. These prices have remained relatively constant during the period under review. They have been consistently about one-half of the petitioner's unit costs of production, with Indian prices in most instances slightly higher than prices of Korean imports.

Domestic output and sales of Red Lake C by Dominion Colour declined sharply since the petition for a temporary withdrawal of the GPT, accompanied by reductions in employment and a near-cessation of investment. Capacity utilization was significantly reduced, while inventories accumulated rapidly.

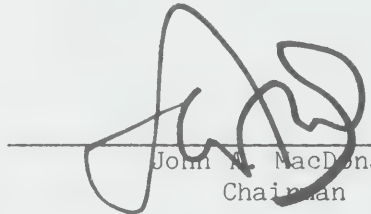
THE BOARD'S CONCLUSIONS AND RECOMMENDATIONS

Based upon evidence before it, the Board concludes that the petitioner has suffered injury, that there is a link between that injury and imports at the General Preferential Tariff rate, and that withdrawal would provide significant relief to the petitioner.

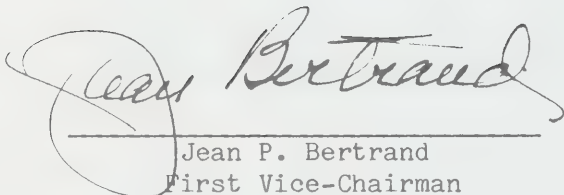
Accordingly, the Board recommends that the General Preferential Tariff rate on imports of the organic pigment dyestuff known as Red Lake C continue to be withdrawn for three years commencing on the expiry date of the present withdrawal, subject to review upon expiry.

The Board would also like to draw the Minister's attention to the fact that the petitioner's injury was aggravated by administrative and technical delays in implementation of the Board's recommendation for a withdrawal made in July, 1981, following the hearing of the petition for safeguard action against imports of Red Lake C from countries to which the General Preferential Tariff extends. Moreover, the measurement of the effect of the injury was made difficult because of problems of proper statistical identification of imports of the goods at issue. In the latter instance, the Minister might want to consider the creation of a new tariff item specifically to deal with imports of Red Lake C as indicated by the Board's inquiry.

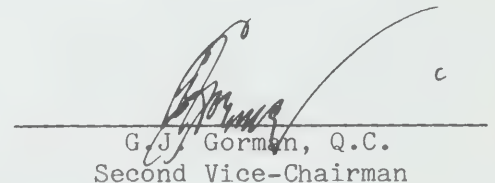
Respectfully,



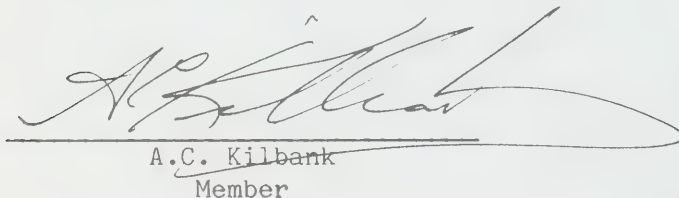
John A. MacDonald
Chairman



Jean P. Bertrand
First Vice-Chairman



G.J. Gorman, Q.C.
Second Vice-Chairman



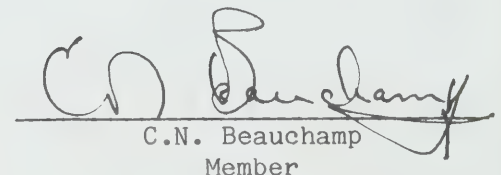
A.C. Kilbank
Member



K.C. Martin
Member



R.K. Matthie
Member



C.N. Beauchamp
Member

APPENDIX A
LETTERS OF REFERENCE

July 24, 1980

Mr. John A. MacDonald
Chairman
Tariff Board
365 Laurier Avenue West
Ottawa, Ontario
K1A 0G7

Dear Mr. MacDonald:

I am writing to ask the Tariff Board to study and report under section 4(2) of the Tariff Board Act on a number of matters relating to the General Preferential Tariff (GPT).

The Canadian GPT was implemented in 1974 as part of an international system of tariff preferences designed to assist developing countries to expand their exports of manufactures and semi-manufactures to developed country markets. The preferential rate on industrial products covered by the Canadian scheme is established by legislation at two-thirds of the Most-Favoured-Nation (MFN) rate of duty or the British Preferential (BP) rate, whichever is lower. Specific preferences have also been established for selected agricultural products. Most textile products, leather footwear and certain electron tubes and parts were excluded from the coverage of the GPT by Order in Council under the safeguard clause because of the particular sensitivity of Canadian production in these sectors to import competition.

Since it came into effect in 1974, the GPT has been the subject of numerous and often conflicting representations. On the one hand, developing countries seeking to improve their competitive position vis-a-vis developed countries in the Canadian market have requested that preferences under the GPT be improved and also that the product coverage of the scheme be expanded. Most recently developing countries have expressed concern that the lowering of MFN tariff rates as a result of the multilateral trade negotiations (MTN) will yield smaller margins of preference for developing countries under the GPT than at present. They are seeking further improvements to the Canadian scheme so that their relative competitive position in the Canadian market will be enhanced or, at least, maintained.

On the other hand certain Canadian producers have expressed dissatisfaction and concern over the granting of preferential access to the Canadian market for developing countries. They argue that for many products these countries no longer need preferential access to compete in the Canadian market and that Canadian production and employment may be threatened by these preferences. Canadian producers have also alleged that the current safeguard provisions under the GPT are inadequate and do not allow for prompt consideration and open review of petitions for withdrawal or suspension of preferences.

In response to these latter representations and in order to be in a position to consider improvements to the GPT, the government will be introducing legislation to change the safeguard provisions of the GPT legislation. These changes will be designed primarily to facilitate the review of petitions from Canadian industry for withdrawal or suspension of the GPT preference on particular products from either one or all GPT beneficiaries. The proposed changes would include a provision to allow Canadian producers to petition the Tariff Board directly to determine whether imports at GPT rates are causing or threatening to cause them injury and, in the case of a positive finding, to recommend appropriate safeguard action to the government. Authority for the Governor in Council to establish tariff rate quotas, on the recommendation of the Tariff Board, as an alternative to outright exclusion of products from the GPT, would also be provided for in the amended GPT legislation. (Under a tariff rate quota the MFN tariff rate would be automatically restored when imports at the preferential rate reach a predetermined level). These changes should, if implemented, reassure Canadian producers that their requests for safeguard action will be given prompt consideration under procedures which allow for extensive input by, and consultation with, Canadian industry. At the same time, developing countries or their representatives would have the opportunity to make representations to the Board on any petition for safeguard action.

I recognize, however, that legislation will take time and that Canadian producers have an immediate concern. I would therefore like to meet that concern as far as possible within the context of existing legislation. Accordingly, I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury. If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers. The Board shall report its findings to me within six months of commencing its inquiry together with its recommendations as to whether in the particular instance the General Preferential Tariff should be withdrawn in whole or in part. If as the inquiry proceeds the Board is satisfied that there is a situation requiring urgent action, it shall make an interim report and recommendation prior to its final report and recommendation. In addition to the views of Canadian producers the Board should, in carrying out the inquiry, invite and take into account the views of the exporting beneficiary country or countries, exporting firms or representatives thereof as well as Canadian importers and consumers. ,

Given the reassurances that will be provided Canadian producers upon implementation of the proposed changes to the safeguard provisions, and bearing in mind the results of the MTN, the government also considers it timely and appropriate to review what changes or improvements to the GPT scheme may be possible to deal with the concerns of developing countries noted above. I would not want to propose such changes or improvements, however, unless it were determined that Canadian interests would not be adversely affected. I, therefore, direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act, to review and report on the expected impact on Canadian production of including in the GPT those products covered by the tariff items listed in Group I of Annexes A and B to this letter, and the expected impact on Canadian production if the preferential rate under the GPT were established at Free for those products covered by the tariff items listed in Group II of Annexes A and B. I would also ask the Board to include in its report recommendations, based on its findings, as to whether any of the products covered by the tariff items in Group I should be included in the GPT and if so at what rates, and whether any of the products covered by the items in Group II should be allowed duty-free entry under the GPT.

If the Board should conclude that the inclusion in the GPT of some of the goods which are now excluded would be facilitated by the establishment of tariff rate quotas for those products, I would ask the Board also to make recommendations regarding the levels of such quotas. With regard to the GPT rates which the Board might recommend for products which are now excluded from the GPT, but for which the GPT rate formula would apply if they were included in the GPT, I would ask the Board to consider only two options: duty-free entry or the formula rate (i.e. the MFN rate minus one-third or the BP rate if it is lower).

I would ask that the Tariff Board report not later than nine months from the date of this letter on the tariff items listed in Annex A. The Board's report on the items listed in Annex B should be submitted within one year of its report on the items listed in Annex A.

Yours sincerely,

Allan J. MacEachen

February 10, 1984

Mr. John A. MacDonald
Chairman
Tariff Board
365 Laurier Avenue West
Ottawa, Ontario
K1A 0G7

Dear Mr. MacDonald:

I am writing to provide further guidance to the Tariff Board in respect of the letter of reference of July 24, 1980, as it relates to petitions for temporary safeguard actions under the General Preferential Tariff (GPT).

The letter of reference sets out procedures and time limits for the Board to be guided by in dealing with petitions from Canadian producers for the withdrawal of GPT rates where importations of goods at these rates are alleged to be causing or threatening injury to domestic production. I think it would be useful to clarify the Board's responsibilities in those instances where temporary safeguard actions have already been implemented by the government. As you no doubt appreciate, the government intends that these safeguard measures should be maintained only for such time as is necessary to prevent or remedy the injury caused domestic producers by the lower GPT rates. In cases where temporary action has been taken, I believe it would be useful for the Board to take those administrative and procedural steps that are necessary to ensure that it has at its disposal information needed to assess the effects which the reintroduction of GPT rates would have on domestic production and imports.

I would therefore direct the Board, pursuant to section 4(2) of the Tariff Board Act, to collect any relevant information relating to a safeguard measure under the GPT while it is in effect, to receive and review petitions which may be made by interested parties relating to the future status of the measure and to report to the government on these petitions. The Board's report should be submitted to the Government not less than 60 days before the measure is due to lapse. Of course, should the Board not receive any petitions, I would not expect it to conduct any hearings and the measure would be allowed to lapse on its scheduled expiry date.

It is my view that interested parties will thus have ample opportunity for their views to be taken into account prior to any decision being taken by the government on the question of the future status of GPT safeguard actions.

Yours sincerely,

Roy MacLaren

APPENDIX B
ORDER-IN-COUNCIL

Registration
SOR/81-1025 10 December, 1981

Enregistrement
DORS/81-1025 10 décembre 1981

CUSTOMS TARIFF

TARIF DES DOUANES

General Preferential Tariff Order, amendment

Décret du Tarif de préférence général—
Modification

P.C. 1981-3477 10 December, 1981.

C.P. 1981-3477 10 décembre 1981

His Excellency the Governor General in Council, on the recommendation of the Minister of Finance, pursuant to section 3.2 of the Customs Tariff, is pleased hereby to amend the General Preferential Tariff Order, C.R.C., c. 529, in accordance with the schedule hereto.

Sur avis conforme du ministre des Finances, et en vertu de l'article 3.2 du Tarif des douanes, il plaît à Son Excellence le Gouverneur général en conseil de modifier, conformément à l'annexe ci-après, le Décret du Tarif de préférence général, C.R.C., c. 529.

SCHEDULE

ANNEXE

1. The *General Preferential Tariff Order* is amended by adding thereto the following section:

1. Le *Décret du Tarif de préférence général* est modifié par adjonction de ce qui suit:

"10. The benefit of the General Preferential Tariff is withdrawn from the countries listed in Schedule I with respect to Red Lake C, an organic pigment dyestuff, entitled to entry under tariff item 93205-3 for a period of three years from the coming into force of this section except with respect to goods that were

«10. L'avantage du Tarif de préférence général est retiré, durant une période de trois ans commençant à la date d'entrée en vigueur du présent article, aux pays énumérés à l'annexe I, pour la matière colorante organique *Red Lake C* pouvant être importée sous le numéro tarifaire 93205-3, sauf celle

(a) released by the Department of National Revenue on or before the coming into force of this section, whether or not they have been taken out of warehouse or entered for home consumption; or

a) qui a été libérée par le ministère du Revenu national au plus tard à la date d'entrée en vigueur du présent article, qu'elle ait ou non été sortie d'entrepôt ou déclarée pour la consommation intérieure; ou

(b) *bona fide* in transit to Canada on or before the effective date of this Order."

b) qui était authentiquement en transit vers le Canada au plus tard à la date d'entrée en vigueur du présent article.»

EXPLANATORY NOTE

NOTE EXPLICATIVE

(This note is not part of the Order, but is intended only for information purposes.)

(La présente note ne fait pas partie du décret et n'est publiée qu'à titre d'information.)

This amendment withdraws the benefit of the General Preferential Tariff with respect to Red Lake C, an organic pigment dyestuff, from all beneficiaries of that Tariff.

Cette modification retire à certains pays l'avantage du Tarif de préférence général pour la matière organique colorante *Red Lake C*.

APPENDIX C
PRESS RELEASE



Information Division
Ottawa, Ont. K1A 0G5
(613) 992-1573

Division de l'Information
Ottawa (Ont.) K1A 0G5
(613) 992-1573

Release

Communiqué

Release: Immediate

Ottawa, December 11, 1981
81-120

Minister of State (Finance) Pierre Bussières today announced that the General Preferential Tariff (GPT) was being withdrawn on Red Lake C organic pigment for a period of three years.

This action was recommended by the Tariff Board in a report which was tabled in Parliament on October 21, 1981. The Board found that imports of Red Lake C from the Republic of Korea have injured Dominion Colour Co. Ltd., Toronto, in its production of this pigment and that significant relief would be provided by withdrawal of the GPT margin of preference from imports. The effect will be to increase the customs duty on imports from South Korea from 9.5 per cent to 14.4 per cent under the Most-Favoured-Nation Tariff.

India is a minor supplier of this product and imports from that country will be subject to a 10 per cent rate of duty under the British Preferential Tariff. The matter will again be reviewed by the Tariff Board prior to the expiry of the three-year withdrawal period.

The withdrawal takes effect immediately; however, goods in transit or in bonded warehouse will not be affected.

APPENDIX D
ATTENDANCE LIST

SP-5.1

ATTENDANCE AT PUBLIC HEARING
HELD ON JUNE 5, 1984, OTTAWA

ORGANIZATION

REPRESENTATIVE(S)

Ciba-Geigy Canada Ltd.

A.A. Farrer

Corporation House Ltd.

B. Benn
G.P. MacPherson

Dominion Colour Company Ltd.

P. Birrell
A. Gray
W.R. Hibbs
A. Linajs

Hoechst Canada Inc.

C. Berguer
W. Fibiger

APPENDIX E

PRODUCT NAMES FOR RED LAKE C

Details of Imports of Red Lake C
at the Seven-Digit Level

The Board used the classification of the Colour Index and company brand names to isolate, from import data at the seven-digit level, imports of Red Lake C proper. Imports under tariff items 93205-3 and 93206-1 for the following commodity classes were examined and the results were subsequently verified with importers and Dominion Colour.

SEVEN-DIGIT COMMODITY CLASSES

<u>Commodity Code</u>	<u>Description</u>
<u>Organic Red and Maroon Pigments/Org Rm./</u>	
427-18-22	Pigments, organic, maroon bon
427-18-29	Pigments, organic, maroon, nes
427-18-32	Pigments, organic, red, quinacridone
427-18-34	Pigments, organic, red, toluidine
427-18-35	Pigments, organic, red, lithol
427-18-36	Pigments, organic, red, rhodamine
427-18-39	Pigments, organic, red, nes

BRAND NAMES USED

<u>Importing Company</u>	<u>Country of Origin</u>	<u>Product Name</u>
BASF Canada Inc.	U.S.A.	Red Lake C Quick Set
Ciba-Geigy Canada Ltd.	Korea	Irgalite Red CBNO (Giant Red)
Grenhall Chemicals Ltd.	Korea	Red Lake C 120
Hoechst Canada Inc.	Germany	Permanent Lake Red LCLL
Industrial Colours & Chemicals Limited	India	Red Lake C 506
Kolmar of Canada Limited	Denmark	Predisol Lake Red LC-C 9541
Mackenzie & Feimann Limited	U.S.A.	Red Lake C 506 & 507
	Korea	Red Lake LCL (Giant Red C 121)
	Korea	Red Lake C 200
Microcolor Dispersions Limited	U.S.A.	(Seikafast) Lake Red C ZA 549
Montedison Canada Inc.	Italy	Termosolido Red LCG
Sun Chemical Corporation	U.S.A.	Red Lake C Flush

It was, furthermore, clarified at the public hearing that while quinacridone red, toluidine red, lithol red and rhodamine red, as such, are not Red Lake C, imports of Red Lake C as given by the brand names were found to enter under these headings. The study isolated imports of Red Lake C from:

Organic Red and Maroon Pigments/Org Rm./

427-18-34	Pigments, organic, red, toluidine
427-18-35	Pigments, organic, red, lithol
427-18-39	Pigments, organic, red, nes

Pigments, Colour Lakes and Toners Nes/Pig Nes/

427-99-89	Pigments, colour lakes & toners nes
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Data so derived were used in analysis.

De plus, l'audience publique a démontré que même si le quinaclidone rouge, le toluidine rouge, le lithol rouge et le rhodamine rouge ne sont pas des Red Lake C proprement dits, des importations de Red Lake C, selon les marques nominales données, entraient au pays sous ces classifications. L'étude a donc retenu les importations de Red Lake C dans les classes suivantes:

<u>Pigments organiques rouges et marron/Rm. Org./</u>	
427-18-34	Pigments, organiques, rouges de toluidine
427-18-35	Pigments, organiques, rouges de lithol
427-18-39	Pigments, organiques, rouges, nda
<u>Pigments, laques colorants et tonifiants NDA/Pig/</u>	
427-99-89	Pigments, laques col. et col. organiques, nda

Les données ainsi obtenues ont servi à l'analyse.

Les importations de Red Lake C par catégories de marchandises à sept chiffres

La Commission s'est servie de la classification du International Colour Index et des marques nominales des compagnies pour identifier, parmi les données sur les importations, les importations de Red Lake C selon les catégories de marchandises à sept chiffres. Les importations parmi les catégories de marchandises suivantes qui avaient été admises sous les numéros tarifaires 93205-3 et 93206-1 ont été étudiées et les résultats vérifiés subséquentement auprès des importateurs et de la Dominion Colour.

CATÉGORIES DE MARCHANDISES À SEPT CHIFFRES

Code de marchandises	Description
427-18-22	Pigments, organiques, marron de bon
427-18-29	Pigments, organiques, marron, nda
427-18-32	Pigments, organiques, rouges de quinaacridone
427-18-34	Pigments, organiques, rouges de toluidine
427-18-35	Pigments, organiques, rouges de lithol
427-18-36	Pigments, organiques, rouges de rhodamine
427-18-39	Pigments, organiques, rouges, nda

Pigments organiques rouges et marron/Rm. Org./

MARQUES NOMINALES UTILISÉES

Nom du produit	Pays d'origine	Compagnie importatrice
BASF Canada Inc.	E.-U.	Red Lake C Quick Set
Ciba-Geigy Canada Ltd.	Corée	Irgalite Red CBNO (Giant Red)
Greenhall Chemicals Ltd.	Corée	Red Lake C 120
Hoechst Canada Inc.	Allemagne	Permanent Lake Red LCLL
Industrial Colours & Chemicals Limited	Inde	Red Lake C 506
Kolmar of Canada Limited	Danemark	Predisol Lake Red LC-C 9541
Mackenzie & Feilmann Limited	E.-U.	Red Lake C 506 & 507
Microcolor Dispersions Limited	Corée	Red Lake LCL (Giant Red C 121)
Montedison Canada Inc.	Corée	Red Lake C 200
Sun Chemical Corporation	E.-U.	(Seikafast) Lake Red C ZA 549
	Italie	Termosolido Red LCG
		Red Lake C Flush

MARQUES NOMINALES DE
PRODUITS RED LAKE C

ANNEXE E

SP-5.1

PERSONNES PRÉSENTES À L'AUDIENCE PUBLIQUE
TENUE LE 5 JUIN 1984, OTTAWA

REPRÉSENTANT(S)

A.A. Farrer

B. Benn
G.P. MacPherson

P. Birrell

A. Gray

W.R. Hibbs

A. Linafs

C. Berguer

W. Fibiger

Ciba-Geigy Canada Ltd.

Corporation House Ltd.

Dominion Colour Company Ltd.

Hoechst Canada Inc.

LISTE DES PERSONNES PRESENTES

ANNEXE D

Le ministre d'Etat aux Finances, Pierre Bussières, a annoncé aujourd'hui le retrait du Tarif de préférence général (TPG) sur le pigment organique Red Lake C pour une période de trois ans.

Le retrait fait suite à la recommandation de la Commission du Tarif dans son rapport déposé au Parlement le 21 octobre 1981. La Commission a déterminé que les importations de Red Lake C provenant de la République de Corée avaient causé préjudice à la production de ce pigment par la Dominion Colours Co. Ltd., de Toronto et que le retrait de la marge de préférence du TPG dédommagerait considérablement la firme. Ce retrait aura pour effet de majorer le tarif douanier sur les importations de la Corée du Sud, portant le taux de 9.5 pour cent à 14.4 pour cent en vertu du Tarif de la nation la plus favorisée.

L'Inde est un fournisseur peu important de ce produit, et les importations provenant de ce pays seront assujetties à un droit de 10 pour cent en vertu du Tarif de préférence britannique. La Commission du tarif réexaminera la question avant l'expiration du retrait de trois ans.

Le retrait entre en vigueur immédiatement; toutefois, les marchandises en transit ou en entrepôt réel ne seront pas touchées par la mesure.

Publication immédiate
Ottawa, le 11 décembre 1981
81-120

Communiqué

Release

Division de l'information
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COMMUNIQUE DE PRESSE

ANNEXE C

Registration
SOR/81-1025 10 December, 1981
DORS/81-1025 10 décembre 1981

CUSTOMS TARIFF

General Preferential Tariff Order, amendment

Décret du Tarif de préférence général—
Modification

C.P. 1981-3477 10 décembre 1981

P.C. 1981-3477 10 December, 1981

His Excellency the Governor General in Council, on the recommendation of the Minister of Finance, pursuant to section 3.2 of the Customs Tariff, is pleased hereby to amend the General Preferential Tariff Order, C.R.C., c. 529, in accordance with the schedule hereto.

Sur avis conforme du ministre des Finances, et en vertu de l'article 3.2 du Tarif des douanes, il plaît à Son Excellence le Gouverneur général en conseil de modifier, conformément à l'annexe ci-après, le Décret du Tarif de préférence général, C.R.C., c. 529.

ANNEXE

SCHEDULE

1. The General Preferential Tariff Order is amended by adding thereto the following section:

1. Le Décret du Tarif de préférence général est modifié par adjonction de ce qui suit:

"10. The benefit of the General Preferential Tariff is withdrawn from the countries listed in Schedule I with respect to Red Lake C, an organic pigment dyestuff, entitled to entry under tariff item 93205-3 for a period of three years from the coming into force of this section except with respect to goods that were

"10. L'avantage du Tarif de préférence général est retiré, durant une période de trois ans commençant à la date d'entrée en vigueur du présent article, aux pays énumérés à l'annexe I, pour la matière colorante organique Red Lake C pouvant être importée sous le numéro tarifaire 93205-3, sauf celle

(a) released by the Department of National Revenue on or before the coming into force of this section, whether or not they have been taken out of warehouse or entered for home consumption; or
(b) bona fide in transit to Canada on or before the effective date of this Order."

(a) qui a été libérée par le ministère du Revenu national au plus tard à la date d'entrée en vigueur du présent article, qu'elle ait ou non été sortie d'entrepôt ou déclarée pour la consommation intérieure; ou
(b) qui était authentiquement en transit vers le Canada au plus tard à la date d'entrée en vigueur du présent article.

EXPLANATORY NOTE

NOTE EXPLICATIVE

(This note is not part of the Order, but is intended only for information purposes.)

(La présente note ne fait pas partie du décret et n'est publiée qu'à titre d'information.)

This amendment withdraws the benefit of the General Preferential Tariff with respect to Red Lake C, an organic pigment dyestuff, from all beneficiaries of that Tariff.

Cette modification retire à certains pays l'avantage du Tarif de préférence général pour la matière organique colorante Red Lake C.

DECRET EN CONSEIL

ANNEXE B

Le 10 février 1984

Monsieur John A. MacDonald
Président
Commission du tarif
365 ouest, avenue Laurier
Ottawa (Ontario)
K1A 0G7
Monsieur,

La présente a pour but de donner de plus amples instructions à la Commission du tarif concernant la lettre de renvoi du 24 juillet 1980, en ce qui a trait plus particulièrement aux demandes visant l'application de mesures de sauvegarde temporaires en vertu du Tarif de préférence général (TPG).

La lettre de renvoi indique les procédures et les délais qui doivent guider la Commission dans les cas de demandes des producteurs canadiens visant le retrait des taux du TPG lorsqu'il est allégué que les importations de marchandises à ces taux causent ou menacent de causer un préjudice à la production canadienne. Je crois qu'il serait utile de préciser les responsabilités de la Commission dans les cas où le gouvernement a déjà mis en oeuvre des mesures de sauvegarde temporaires. Comme vous le savez sans doute, la seule intention du gouvernement est de maintenir ces mesures de sauvegarde le temps qu'il faut pour empêcher le préjudice causé aux producteurs canadiens en raison des taux inférieurs du TPG ou pour remédier à un tel préjudice. Lorsque des mesures temporaires ont été prises, je crois qu'il serait utile que la Commission prenne les mesures administratives et les procédures qui s'imposent pour s'assurer qu'elle possède les renseignements nécessaires pour évaluer les effets qu'aurait le rétablissement des taux du TPG sur la production canadienne et les importations.

J'ordonnerais donc à la Commission, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, de recueillir les renseignements pertinents concernant les mesures de sauvegarde existantes prises en vertu du TPG, de recevoir et d'examiner les demandes que peuvent lui présenter les parties intéressées relativement à la situation future des mesures de sauvegarde existantes et de faire rapport au gouvernement au moins 60 jours avant la date prévue d'expiration de la mesure. Il est bien entendu que si la Commission ne reçoit aucune demande, je ne m'attends pas à ce qu'elle tienne des audiences et la mesure cessera de s'appliquer à la date prévue.

Je suis d'avis que de cette façon les parties intéressées auront l'occasion de se faire entendre avant que le gouvernement ne prenne une décision au sujet de la situation future des mesures de sauvegarde prises en vertu du TPG.

Veuillez accepter, Monsieur, l'expression de mes meilleurs sentiments.

Roy MacLaren

Je demanderais à la Commission du tarif de faire rapport dans les neuf mois qui suivront la date de réception de la présente lettre sur les numéros tarifaires figurant à l'Annexe A. Le rapport de la Commission sur les numéros figurant à l'Annexe B devrait être présenté dans l'année qui suit la présentation de son rapport sur les numéros figurant à l'Annexe A.

Je vous prie d'agréer, Monsieur, l'expression de ma considération distinguée.

Allan J. MacEachen

produit ou des produits en question permettrait en fait de soulager les producteurs canadiens. La Commission doit me signaler ses conclusions dans les six mois qui suivent et me faire part de ses recommandations quant à la question de savoir s'il y a lieu, dans le cas particulier, de retirer totalement ou partiellement le Tarif de préférence général. Si, au cours de l'enquête, la Commission est convaincue que la situation nécessite la prise urgente de mesures, elle doit faire un rapport et présenter des recommandations provisoires. En plus de demander aux producteurs canadiens de donner leur point de vue, la Commission devrait, dans le cadre de son enquête, inviter les pays exportateurs bénéficiaires, les entreprises exportatrices ou leurs représentants ainsi que les importateurs et les consommateurs canadiens à faire connaître leur point de vue et en tenir compte.

Compte tenu, d'une part, des garanties qui seront offertes aux producteurs canadiens lors de la mise en oeuvre des changements proposés aux dispositions de sauvegarde et, d'autre part, des résultats des NCM, le gouvernement considère également qu'il convient actuellement d'examiner quels sont les changements ou les améliorations qui pourraient être apportés au TPG en réponse aux inquiétudes exprimées par les pays en voie de développement telles que mentionnées plus haut. Toutefois, je ne voudrais pas proposer de tels changements ou de telles améliorations à moins qu'il soit déterminé que les producteurs canadiens ne subiront pas d'effets néfastes. Par conséquent, je demande à la Commission du tarif, d'étudier les incidences prévues sur la production canadienne de l'application du TPG aux produits figurant aux numéros tarifaires du Groupe 1 des Annexes A et B de la présente lettre et les incidences prévues sur la production canadienne de l'octroi de l'entrée en franchise de droits sous le régime du TPG dans le cas des produits figurant aux numéros tarifaires du Groupe II des Annexes A et B et de faire rapport à ce sujet. Je demande également à la Commission d'inclure dans son rapport des recommandations, fondées sur ses conclusions, quant à la question de savoir s'il y aurait lieu d'appliquer le TPG aux produits figurant aux numéros tarifaires du Groupe I et, le cas échéant, à quels taux et quant à la question de savoir s'il y aurait lieu de permettre l'entrée en franchise en vertu du TPG de l'un ou l'autre des produits figurant aux numéros du Groupe II.

Si la Commission devait conclure que l'application du TPG dans le cas de certains des produits qui en sont actuellement exclus serait facilitée par l'établissement de contingents tarifaires à l'égard de ces produits, je demanderais également à la Commission de faire des recommandations concernant les niveaux de ces contingents. En ce qui concerne les taux du TPG que la Commission pourrait recommander dans le cas des produits qui sont actuellement exclus, mais dans le cas desquels la formule d'établissement du taux du TPG s'appliquerait s'ils étaient inclus, je demanderais à la Commission de limiter son étude soit à l'entrée en franchise ou à l'établissement d'un taux établi selon la formule (c'est-à-dire, le taux de la NPF moins le tiers ou le taux de PB s'il est inférieur).

prévues en vertu du TPG sont insuffisantes et ne permettent pas d'étudier rapidement les demandes de retrait ou de suspension des préférences ni d'effectuer un examen public à ce sujet.

En réponse à ces dernières représentations et afin d'être en mesure d'envisager la possibilité d'améliorer le TPG, le gouvernement présentera un projet de loi visant à modifier les dispositions de sauvegarde sous le régime du TPG. Ces changements seront conçus principalement afin de faciliter l'examen des demandes de l'industrie canadienne en ce qui concerne le retrait ou la suspension du TPG dans le cas de produits particuliers provenant de l'un ou l'autre des bénéficiaires du TPG. Les changements proposés comprendraient une disposition visant à permettre aux producteurs canadiens de demander directement à la Commission du tarif de déterminer si des importations, au taux du TPG, leur causent ou menacent de leur causer un préjudice et, dans le cas d'une conclusion affirmative, de recommander des mesures appropriées de sauvegarde au gouvernement. Les nouvelles dispositions accorderaient aussi au Gouverneur en conseil le pouvoir d'établir des contingents tarifaires, suite à une recommandation de la Commission du tarif, comme solution de rechange à l'exclusion totale de produits de l'application du TPG. (En vertu d'un contingent tarifaire, le taux du tarif de la NPF serait automatiquement rétabli lorsque les importations, au taux préférentiel, atteignent un niveau déterminé à l'avance.) Ces changements devraient, s'ils sont mis en oeuvre, permettre de garantir aux producteurs canadiens que leurs demandes d'application de mesures de sauvegarde seront étudiées rapidement selon des procédures qui permettent de consulter et de faire participer dans une grande mesure l'industrie canadienne. En même temps, les pays en voie de développement ou leurs représentants pourraient faire des représentations à la Commission en ce qui concerne toute demande d'application de mesures de sauvegarde.

Toutefois, je reconnais qu'il faudra du temps pour présenter un projet de loi et que les producteurs canadiens ont un problème urgent. J'aimerais donc régler ce problème dans la mesure du possible dans le contexte de la législation existante. Par conséquent, je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite de l'application du Tarif de préférence général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée. Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations aux taux réduits en vertu du TPG. A mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code, antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG à l'égard du

1e 24 juillet 1980

Mr. John A. MacDonald
Président
Commission du tarif
365 ouest, avenue Laurier
Ottawa (Ontario)
K1A 0G7
Monseigneur,

La présente a pour but de demander à la Commission du tarif d'étudier, en vertu du paragraphe 4(2) de la Loi sur la Commission du tarif, un certain nombre de questions relatives au Tarif de préférence général (TPG) et de faire rapport à ce sujet.

En 1974, le Canada a instauré le TPG dans le cadre d'un système international de préférences tarifaires visant à aider les pays en voie de développement à accroître leurs exportations de produits manufacturés et semi-manufacturés vers les marchés des pays développés. Le taux préférentiel sur les produits industriels assujettis au régime canadien est établi par voie de législation et correspond aux deux tiers du Tarif de la nation la plus favorisée (NPF) ou du Tarif de préférence britannique (PB), le moins élevé de ces taux étant à retenir. Des préférences particulières ont également été établies dans le cas de certains produits agricoles. Le TPG ne s'applique pas à la plupart des produits du textile, aux chaussures en cuir et à certains tubes électroniques et leurs pièces en raison d'un décret pris en vertu de la clause de sauvegarde; cette mesure a été prise en raison de la vulnérabilité particulière à la concurrence étrangère des producteurs canadiens dans ces secteurs.

Depuis son entrée en vigueur en 1974, le TPG a fait l'objet de nombreuses représentations souvent opposées. D'une part, les pays en voie de développement, qui cherchent à améliorer leur position concurrentielle par rapport aux pays développés sur le marché canadien, ont demandé une amélioration des préférences accordées en vertu du TPG et également un accroissement du nombre de produits assujettis au régime. Plus récemment, les pays en voie de développement ont dit s'inquiéter du fait que la réduction des taux du tarif de la NPF, à la suite des négociations commerciales multilatérales (NCM), entraînera une diminution des marges de préférence dont ils bénéficient en vertu du TPG. Ces pays demandent que l'on améliore davantage le régime canadien afin que leur position concurrentielle relative sur le marché canadien soit améliorée ou, du moins, maintenue.

Par contre, certains producteurs canadiens ont exprimé leur insatisfaction et leurs préoccupations au sujet de l'octroi aux pays en voie de développement de l'accès préférentiel au marché canadien. Ils prétendent que, dans le cas de bon nombre de produits, ces pays n'ont plus besoin d'un accès préférentiel pour concurrencer sur le marché canadien et que ces préférences peuvent menacer la production et l'emploi au Canada. Les producteurs canadiens ont également soutenu que les dispositions actuelles de sauvegarde

LETTRES DE MANDAT

ANNEXE A

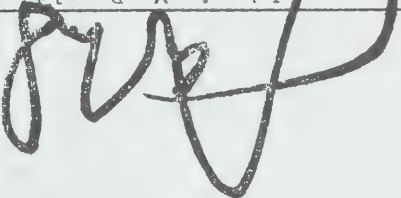
LES CONCLUSIONS ET RECOMMANDATIONS DE LA COMMISSION

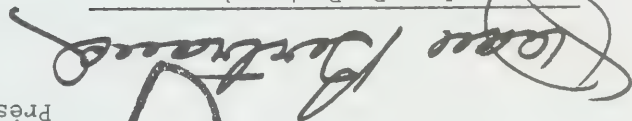
D'après la preuve qui lui a été soumise, la Commission conclut que la demanderesse a subi un préjudice, qu'il existe un lien entre ce préjudice et les importations au taux du Tarif de préférence général, et que le retrait de ce taux apporterait un soulagement important à la demanderesse.

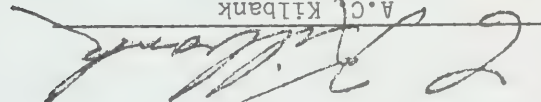
La Commission recommande donc que le taux du Tarif de préférence général visant les importations du pigment organique colorant, portant le nom Red Lake C, subisse encore un retrait pour une période de trois ans, et ce à partir de la date d'échéance du retrait présentement en vigueur, sujet à révision à la date d'échéance.

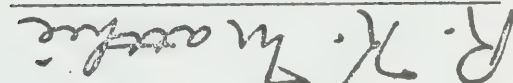
La Commission désire aussi que le Ministre prenne note du fait que le préjudice subi par la demanderesse fut aggravé par des délais techniques et administratifs lors de la mise en oeuvre de la recommandation de la Commission voulant un retrait en juillet 1981, suite à l'addition de la demande de mesures de sauvegarde contre les importations de Red Lake C en provenance de pays bénéficiant du Tarif de préférence général. En plus, il était difficile de mesurer l'effet du préjudice à cause des problèmes d'identification statistiques appropriées des marchandises en cause. Pour ce dernier cas, le Ministre pourrait envisager la création d'un nouveau numéro tarifaire qui régirait spécifiquement les importations de Red Lake C, tel qu'indiqué par l'enquête de la Commission.

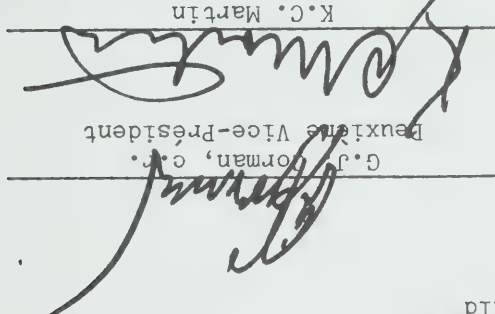
Le tout respectueusement soumis,

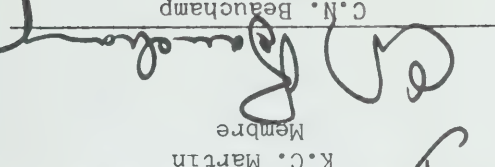

John A. MacDonald
Président

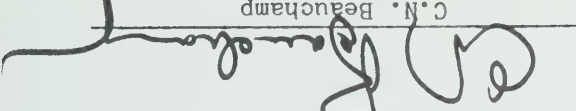

Jean P. Bertrand
Premier Vice-Président


A.C. Kilbank
Membre


R.K. Mathie
Membre


G.J. Gorman, c.r.
Deuxième Vice-Président


K.C. Martin
Membre


C.N. Beauchamp
Membre

Ottawa
le 13 septembre 1984

Malgré que la compagnie Dominion Colours ait pris des mesures suite au retrait temporaire du TPG afin d'améliorer ses prix pour le Red Lake C face aux coûts croissant des matières brutes, cette initiative fut nuiitée par les bas prix d'importations en provenance de Corée et de l'Inde. Ces prix sont demeurés assez constants pendant la période étudiée. Ils ont toujours été environ la moitié du coût unitaire de production de la demanderesse, et les prix de l'Inde généralement un peu plus élevés que ceux des importations coréennes.

La production et les ventes canadiennes de Red Lake C par la compagnie Dominion Colours se sont érodées brusquement depuis la demande de retrait temporaire du TPG, fait qui a résulté en une réduction d'emplois et presque en une cessation d'investissements. Le rendement maximum fut réduit de beaucoup tandis que les inventaires augmentaient rapidement.

Les expéditions de l'Inde ont continué à augmenter en 1982, année qui suivait la recommandation d'un retrait temporaire du TPG, à un taux toutefois réduit. Au contraire, le débit des provisions de la Corée s'est accru rapidement durant cette année-là de sorte que, globalement, les importations TPG étaient à-peu-près 60.0 pour cent plus importantes en 1982 qu'en 1981, et bien supérieures au niveau atteint en 1980, ou avant le procédé de demande pour le retrait du TPG. Les importations non-TPG ont entretemps accusé une baisse, au moins en partie à cause de la cause antidumping présentée par la compagnie Dominion Colours.

En 1983, la croissance d'expéditions de l'Inde a ralenti quoique le niveau atteint cette année-là était le double du volume importé de ce pays en 1980. Les provisions de la Corée ont repris le premier rang. Par contre, la Corée détenait un peu plus de la moitié de la part qu'elle avait en 1980. Les importations non-TPG se sont accrues en 1983, résultant en grande partie des expéditions de Taiwan, pays qui n'était pas affecté par l'enquête et les décisions antidumping et qui fournissait le marché canadien pour la première fois dans les dernières années.

Les importations TPG ont perdu la part des importations totales de Red Lake C. De 86.5 pour cent en 1980, cette part s'est érodée à 68.4 pour cent en 1983 à mesure que les expéditions en provenance de pays non-TPG se sont accrues.

Malgré qu'elles soient demeurées assez stables en 1982 et 1983, les parts du marché intérieur ont doublé, atteignant plus de 60.0 pour cent au premier trimestre de 1984 de la moyenne comparable pour les deux années.

Même si Dominion Colours détenait à peu près 50.0 pour cent de la part du marché intérieur en 1982 et 1983, elle a accusé une érosion de quelque 20.0 pour cent au premier trimestre de 1984.

Les importations non-TPG ont subi une augmentation assez constante de la part du marché.

tarifaire 93206-1, et non uniquement sous le 93205-1. Ce dernier, selon la demande, était le seul numéro tarifaire pertinent. Par conséquent, on a fondé l'analyse de la Commission sur les importations TPG de Red Lake C, telles que définies par la Commission, régies par les deux numéros tarifaires. Ces données sont confidentielles et non accessibles au public ou à la demande. Donc, la présentation de la demande, uniquement à partir de données disponibles au public, a quelque peu surestimé la quantité des importations de Red Lake C, sans toutefois affecter la tenue de cette analyse de façon défavorable.

Les deux numéros tarifaires en cause comportent les mêmes taux tarifaires. Au 1^{er} janvier 1984, le taux NPF était de 13.4 p.c. et le taux TPG de 8.5 p.c. Par suite des accords NCM, le taux NPF doit baisser à 12.5 p.c. d'ici 1987. Le taux TPG, relié au taux NPF par une formule, sera réduit à 8.0 p.c. d'ici là.

Le taux PB s'élevait à 10 p.c. au cours de la période étudiée. L'Inde, un des pays TPG nommés dans la demande de prorogation du TPG, pourrait aussi bénéficier du taux PB. Ce taux doit s'appliquer aussi longtemps que les accords de base sont en vigueur.

Le différentiel entre les taux NPF et TPG sera maintenu au cours des années à cause de leur interdépendance mutuelle. Toutefois, le différentiel entre les taux TPG et PB augmentera lorsque le premier accusera une baisse tandis que le dernier restera inchangé.

Le volume des importations de Red Lake C a baissé quelque peu en 1981 du niveau atteint l'année précédente étant donné qu'on a retenu les importations coréennes pendant l'étude de la demande initiale. Par contre, les importations de l'Inde, qui étaient minimales jusqu'en 1980, ont quadruplé en 1981, ce qui soutenait le niveau élevé de provisions en provenance de pays TPG. L'Inde peut aussi se servir du taux PB. Durant la même période, le volume des importations non-TPG a quintuplé.

capacité de production de l'usine de New Toronto fabriquant le RLC a de beaucoup diminué. Les stocks de ce produit étaient de 87.7 pour cent plus élevés à la fin de mars 1984 qu'au début de la période de retrait recommandée de trois ans du TPG.

SOMMAIRE DE LA PREUVE

La demanderesse, la compagnie Dominion Colour Company Ltd., a demandé à la Commission de prolonger les mesures temporaires de sauvegarde en ce qui concerne les importations de Red Lake C, un pigment organique colorant, en provenance de la Corée et de l'Inde, deux pays qui jouissent du Tarif de préférence général, et qui exportent ce pigment au Canada. La demande initiale a été entendue le 10 juin 1981. Par la suite, la Commission a recommandé le retrait du TPG pour une période de trois ans, ou jusqu'au 11 décembre 1984, sous réserve d'une révision lors de l'expiration de cette période.

Tel que révélé par l'enquête faisant suite à l'étude, des problèmes techniques et administratifs ont retardé de quelques mois la mise en vigueur du retrait proposé, i.e. le prélèvement de douanes additionnelles au moment de l'importation.

L'audience sur la révision a eu lieu le 5 juin 1984. La compagnie Ciba-Geigy, filiale canadienne du groupe multinational de Ciba-Geigy, A.G., et qui, dernièrement, a commencé à importer le Red Lake C de la filiale coréenne du groupe, s'est opposée à la demande de prolongation.

Les données sur les importations de Red Lake C exigent une analyse spéciale à cause de problèmes de classement. L'enquête de la Commission, effectuée en consultation avec les fabricants et les importateurs canadiens, ainsi que les témoignages présentés lors de l'audience, ont établi les colorants spécifiques qui doivent en fait être considérés comme étant du Red Lake C. De plus, cette enquête a aussi révélé que des quantités importantes de Red Lake C sont entrées au Canada en provenance de pays TPG sous le numéro

TABLÉAU 2 (fin)

Année	Trimestre	DCC	TPG	Non-TPG	Total
1983	1er	65.4	30.8	3.8	34.6
	2e	58.6	29.1	12.4	41.4
	3e	36.2	39.3	24.5	63.8
	4e	36.4	42.7	20.9	63.7
	Moyenne de 1983	47.7	36.1	16.3	52.4
1984	1er	19.6	61.9	18.5	80.4

Source: La Commission du tarif.

COMPRESSION DES PRIX ET AUTRES INCIDENCES

A la suite de la recommandation de la Commission quant au retrait du TPG en 1981, la compagnie Dominion Colour a tenté d'augmenter ses prix pour le RLC, surtout que le coût des matières premières importées avait augmenté. Cependant, les bas prix offerts par les importateurs de produits coréens et indiens n'ont pas permis à la compagnie Dominion Colour de maintenir des marges de profit normales pour le RLC produit à l'usine de New Toronto. La demanderesse a prétendu qu'au cours de cette période, plus de la moitié de ses clients établis étaient passés aux fournisseurs coréens ou indiens, principalement à cause du prix. En dépit de rabais appréciables, la demanderesse n'a pu évaluer de tels prix. Les prix unitaires des importations de pays jouissant du TPG sont en général demeurés stables durant l'année étudiée. Ils étaient régulièrement de moitié inférieurs au coût unitaire de production de la demanderesse. Dans la majorité des cas, les prix indiens étaient légèrement supérieurs aux prix coréens.

La baisse soudaine de la production et des ventes canadiennes de RLC a entraîné une réduction de 30.7 pour cent d'emplois reliés à la production et à la distribution de ce produit. Les investissements en machinerie et en équipement servant à produire le RLC ont presque cessé. L'utilisation de la

TABLÉAU 2

RED LAKE C
VENTES SUR LE MARCHÉ NATIONAL PAR LA COMPAGNIE DOMINION COLOUR,
IMPORTATIONS TPG ET TOTAL DES IMPORTATIONS,
PAR TRIMESTRE, DE 1982 AU PREMIER TRIMESTRE DE 1984

Année	Trimestre	Marché national	Ventes de la DCC	Importations TPG	Total des Importations
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- Indices de volume -
(Premier trimestre de 1982 = 100)

1982	1er	100.0	100.0	100.0	100.0
	2e	99.8	92.7	112.6	107.9
	3e	76.9	78.3	68.7	75.3
	4e	85.1	94.4	70.3	74.5
Moyenne de 1982		90.5	91.4	87.9	89.4
1983	1er	71.2	87.4	59.0	52.7
	2e	72.6	79.9	56.8	64.4
	3e	93.4	63.5	98.6	127.5
	4e	87.8	60.1	100.9	119.6
Moyenne de 1983		81.3	72.7	78.8	91.0
1984	1er	153.2	56.3	255.0	263.5

Source: La Commission du tarif.

TABLÉAU 3

RED LAKE C
PART DU MARCHÉ NATIONAL DE LA DOMINION COLOUR,
IMPORTATIONS TPG ET NON-GPT PAR TRIMESTRES,
DE 1982 AU PREMIER TRIMESTRE DE 1984

Année	Trimestre	DCC	TPG	Non-TPG	Total
1982	1er	53.3	37.2	9.5	46.7
	2e	49.5	41.9	8.6	50.5
	3e	54.2	33.2	12.5	45.8
	4e	59.1	30.7	10.2	40.9
Moyenne de 1982		53.8	36.1	10.1	46.2

Le tableau 2 démontre qu'à l'exception d'une reprise au dernier trimestre de 1982, les ventes nationales de la Dominion Colours ont cessé diminuer. Au premier trimestre de 1984, ces ventes étaient de plus de 40 pour cent inférieures au chiffre correspondant pour la période de base. La baisse des ventes du producteur canadien était tout d'abord une conséquence de la faiblesse temporaire du marché canadien du RLC. Cependant, à partir du troisième trimestre de 1983, les ventes de la demanderesse ont baissé de façon spectaculaire, tandis que le marché intérieur a connu une expansion rapide. Comme on peut le voir aisément, au cours de cette même période, les importations de pays TPG et non-TPG ont augmenté brusquement, accaparant non seulement toute la part du marché laissée vacante par la disparition de Red Lake C canadien, mais rognant encore plus la part du marché de la demanderesse.

Ainsi, la part du marché national que détenait Dominion Colours, c'est-à-dire entre 50.0 et 65.0 pour cent au cours de 1982 et au début de 1983, est passée à 36.0 pour cent au deuxième semestre de 1983 et à 19.6 pour cent au premier trimestre de 1984, (Tableau 3). La part du marché canadien appartenant aux pays jouissant du TPG a peu changé en 1982 et 1983, de sorte que ce sont les fournisseurs ne profitant pas du TPG qui se sont emparés de la part perdue par la demanderesse au cours des deux derniers trimestres de 1983. Cette performance des fournisseurs ne profitant pas du TPG, dont la part du marché est passée de moins de 10 pour cent au début de 1982 à 24.5 pour cent au troisième trimestre de 1983, correspond aux importations en provenance de Taiwan. Les exportateurs de pays jouissant du TPG ont de beaucoup amélioré leur position sur le marché canadien au cours du premier trimestre de 1984, surtout aux dépens des ventes du producteur canadien, mais les importations non-TPG ont aussi été affectées de façon défavorable.

TABLÉAU 1

IMPORTATIONS DE RED LAKE C
de 1980 à 1983

Pays	1980	1981	1982	1983	81/80	82/81	83/82	83/80
			- kg.			-	-	

TPG*	50,190	49,067	78,046	69,987	- 2.2	59.1	-10.3	39.4
Corée	-	-	-	-	-50.0	76.2	20.8	6.5
Inde	-	-	-	-	292.5	45.6	-40.0	242.9
Non-TPG	7,805	43,576	21,749	32,266	458.3	-50.1	48.4	313.4
Total	57,995	92,642	99,795	102,253	59.7	7.7	2.5	76.3
Pourcentage de ventes au TPG par rapport au total des importations	86.5	53.0	78.2	68.4				

* Les totaux de la Corée et de l'Inde sont additionnés pour raisons de confidentialité.

Source: La Commission du tarif.

LE MARCHÉ CANADIEN, LA PRODUCTION NATIONALE ET
LA CONCURRENCE DES PRODUITS IMPORTÉS

Les données sur la production trimestrielle ont été fournies par la demanderesse. Les données sur les importations ont été tirées par la Commission de documents sur les importations. Le marché national a été calculé en additionnant les importations à la production nette (exportations déduites). Ces données sont exprimées en kilogrammes, c'est-à-dire en termes de volume. Les données trimestrielles ont alors été converties en indices, le premier trimestre de 1982 équivalant à 100, car les chiffres sur la production et les importations sont confidentiels. L'étude couvre les deux premières années du retrait du TPG, c'est-à-dire 1982 et 1983, ainsi que le premier trimestre de la troisième année.

Le total des importations de Corée et de l'Inde, a augmenté de 39.4 pour cent, de 1980 à 1983, pour atteindre 69,987 kilogrames. La plus grande partie de cette augmentation des importations de pays jouissant du TPG représente des ventes accrues de l'Inde. Cependant, les fournisseurs coréens de RLC ont repris leur prédominance en 1983 en termes absolus, position qu'ils avaient perdue en 1981 et 1982. Tout comme les fournisseurs indiens, les pays exportateurs de RLC non-TPG ont aussi profité de l'augmentation des importations de RLC au Canada en 1981, de même que de la diminution d'importations venant de Corée au cours de cette même année. Cependant, un volume considérable d'importations ne profitant pas du TPG, venant de pays de la CEE, est entré au Canada à des prix sous-évalués. C'est ce qu'a conclu le Tribunal antidumping. Par conséquent, en 1983, le Tribunal s'est prononcé en faveur de la Dominion Colour dans cette affaire. Cette baisse des importations depuis les pays touchés par cette décision au cours de cette année fut compensée en partie par des importations en provenance de Taïwan, qui fournissait le marché canadien pour la première fois depuis quelques années.

Pour ce qui est du partage du marché canadien d'importations de RLC, il est évident que les fournisseurs coréens ont perdu du terrain en 1981 et que les exportateurs de l'Inde et de pays ne jouissant pas du TPG se sont emparés d'une part appréciable du marché. Cependant, même si en 1983 les exportateurs de Corée ont doublé leur part des importations de RLC au Canada par rapport à 1981, le niveau qu'ils ont atteint en 1983 représentait seulement un peu plus de 50 pour cent de leur part de 1980, ou avant le retrait du TPG. Du fait de l'augmentation des ventes par la Corée depuis 1981 et du maintien d'importations élevées en provenance de l'Inde, le total de ventes au Canada de pays jouissant du TPG est passé de 53.0 pour cent des importations de RLC de tous les pays à 68.4 pour cent entre 1981 et 1983. Malgré cette augmentation, cependant, la part en 1983 était moins importante qu'en 1980, lorsque les importations du TPG, en provenance presque exclusive-ment de la Corée, ont fourni 86.5 pour cent du marché de RLC canadien.

non publiées et confidentielles sur laquelle est fondée l'analyse de la Commission diffère de celle présentée par la demanderesse. En général, la demanderesse avait surestimé les importations en vertu du TPG. Cependant, les différences, bien qu'appreciables, n'influencent pas vraiment le fond de l'analyse.

Selon les données sur les importations que la Commission a tirées de documents douaniers, le total des importations de Red Lake C (RLC) de toutes les sources était en 1981 de 92,642 kilogrammes, une augmentation de près de 60.0 pour cent par rapport au 57,995 kilogrammes importés en 1980. En 1982 et 1983, les importations de RLC ont continué d'augmenter, bien qu'à un taux moindre, pour atteindre 102,253 kilogrammes en 1983. (Voir le Tableau 1).

Les importations de la Corée ont diminué de 50 pour cent en 1981 par rapport à l'année précédente. Cette réduction marquée était probablement due à l'enquête menée en 1981 relativement à la demande initiale de mesures de sauvegarde. Cependant, en 1982 et 1983, les fournisseurs coréens ont augmenté leurs ventes au Canada au point de récupérer les ventes perdues en 1981.

Le volume d'importations de RLC depuis l'Inde a quadruplé en 1981, compensant presque pour les importations réduites de la Corée au cours de cette année. De plus, les fournisseurs de l'Inde ont augmenté leurs ventes canadiennes de 45.6 pour cent en 1982. Par contre, au cours de cette année, les exportateurs coréens ont augmenté leurs exportations au Canada de 76.2 pour cent. Etant donné que les importations de Corée entraient encore au pays à des taux de droit de 9.0 p.c., l'application du taux NPF au moment de l'importation, taux qui aura suivi le retrait du TPG retardé, tandis que les importations de l'Inde entraient à 10 p.c., PB. En 1983, les exportations coréennes au pays ont connu une augmentation de 20.8 pour cent par rapport à l'année précédente, tandis que les ventes indiennes sont tombées brusquement, bien qu'elles fussent encore plus de trois fois plus élevées qu'en 1980.

LES CATEGORIES DE MARCHANDISES IMPORTÉES ET LES IMPORTATIONS DE RED LAKE C

Dans sa demande à la Commission, Dominion Colours a présumé que toutes les importations de la Corée et de l'Inde importées sous la catégorie de marchandises à cinq chiffres 427-18 et sous le numéro tarifaire 93205-3 faisant l'objet de l'étude, sont du Red Lake C. Cependant, la ventilation de cette catégorie sur sept chiffres démontre qu'elle comprend aussi des pigments organiques autres que le Red Lake C.

Compte tenu de ce problème d'identification, la Commission a mené une étude spéciale, au moyen de la classification du Colours Index et de marques de commerce de compagnies. Les résultats ont été vérifiés auprès d'importateurs et confirmés auprès de la demanderesse, c'est-à-dire Dominion Colours. Les dénominations de produits de Red Lake C sont énumérées à l'Annexe E, ainsi que d'autres détails concernant la sélection.

L'audience publique a permis une définition plus approfondie des données. Par conséquent, compte tenu de l'étude de la Commission et des témoignages lors de l'audience, des détails sur les importations de Red Lake C admises sous les numéros tarifaires 93205-3 et 93206-1 et les catégories de marchandises à sept chiffres suivantes ont servi à l'analyse de la Commission.

Pigments organiques rouges et marron/Rm. Org./

427-18-34	Pigments, organiques, rouges de toluidine
427-18-35	Pigments, organiques, rouges de lithol
427-18-39	Pigments, organiques, rouges, nda

Pigments, laques colorantes et tonifiants NDA/Pig/

427-99-89	Pigments, laques col. et col. organiques, nda
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Puisque la présentation de la Dominion Colours était basée sur toutes les importations inscrites à la catégorie de marchandises 427-18 en tant que les seules données disponibles au public, l'information à partir de données

Dominion Colours et celle de Toronto, tous les pigments organiques, y compris celui qui fait l'objet de la présente étude, le Red Lake C. La production de Red Lake C compte à l'heure actuelle pour quelque 16 pour cent de la production totale de l'usine.

Ciba-Geigy Canada Ltd., la seule intervenante dans la présente étude, importe depuis peu du Red Lake C par l'entremise de la filiale en Corée de sa compagnie mère multinationale. La compagnie favorise le rétablissement du TPG au moment de l'expiration des présentes mesures temporaires de sauvegarde.

Ciba-Geigy a été formée le 1^{er} janvier 1971 à la suite de la fusion de deux sociétés de produits chimiques bien établies, la Ciba, établie au Canada depuis 1922 et la Geigy, depuis 1945. Ciba-Geigy Canada Ltd. est membre du groupe multinational Ciba-Geigy A.G., dont le siège social se trouve à Bâle en Suisse. Le groupe se spécialise dans la production de tout un éventail de produits chimiques et possède des filiales partout dans le monde.

La compagnie mère, Ciba-Geigy A.G., possède 50 pour cent de la Daihan Swiss Chemical Corporation, Seoul, Corée, entreprise en participation avec la Dai Han Colour Company, producteur de Red Lake C.

En 1981, au moment de l'audition de la demande antérieure, seule Mackenzie & Feimann Limited, entreprise de distribution de produits chimiques spécialisés et à usage domestique et industriel, importait le Red Lake C de Corée. Au moment où l'étude a débuté, outre Mackenzie & Feimann, Ciba-Geigy importait aussi du Red Lake C, de même que Grenhall Chemicals Ltd. Cependant, comme il a été mentionné précédemment, Ciba-Geigy a été la seule intervenante dans le processus d'étude.

Industrial Colours Chemicals Limited a toujours été le seul importateur de Red Lake C de l'Inde, si l'on se fie du moins aux dossiers disponibles sur ce sujet. La compagnie n'est intervenue ni pour la demande initiale ni pour la présente étude.

décimaux, ou le tarif de PB, selon le moins élevé des deux taux. Vu la nature de la formule, la réduction du tarif de la NPF, illustrée à la page suivante, entraînera aussi une réduction de la différence entre le tarif de la NPF et le TPG, marge qui en 1987 sera de 4.5 points de pourcentage. Par contre, comme le tarif de PB sera maintenu à 10 p.c., non seulement la marge de préférence du tarif de PB par rapport au tarif de la NPF passera de 4.4 en 1981 et 3.4 en 1984 à 2.5 points de pourcentage en 1987, mais la marge de préférence du TPG par rapport au tarif de PB passera de 0.5 points en 1981 et de 1.5 points en 1984 à 2.0 points de pourcentage en 1987. Par conséquent, l'avantage du tarif de PB par rapport au TPG, tel que pour l'Inde, sera considérablement atténué. Les réductions proposées pour les taux NPF et TPG apparaissent ci-dessous.

NPF		TPG(1)	
p.c.		p.c.	
Le 1er janvier 1984	13.4	8.5	8.5
Le 1er janvier 1985	13.1	8.5*	8.5*
Le 1er janvier 1986	12.8	8.5*	8.5*
Le 1er janvier 1987	12.5	8.0*	8.0*

* Arrondi au demi-point de pourcentage près.

(1) Le TPG a été prolongé cette année jusqu'au 30 juin 1994.

LA DEMANDE RESSE ET L'INTERVENANT

La Dominion Colour Company Ltd. fut fondée en 1946 pour satisfaire aux besoins de sa compagnie mère en pigments de haute qualité pour l'impression de papier peint ainsi que pour fabriquer des pigments de haute qualité pour les secteurs de la peinture et de l'encre d'imprimerie au Canada. Depuis, la compagnie a pris de l'expansion, a diversifié sa gamme de produits et s'est installée sur un bon nombre de marchés d'exportation. Elle exploite maintenant des usines de production de pigments à Ajax et à Toronto. Au cours des années 70, la production fut rationalisée entre les deux usines. Depuis 1979, l'usine d'Ajax produit tous les pigments inorganiques fabriqués par la

Numéro tarifaire	Description des produits	Tarif de pré- férence la nation la plus favorisée	Tarif général	Tarif préfé- rential général	Royaume Uni et Irlande
---------------------	-----------------------------	---	------------------	---------------------------------------	------------------------------

93205 - Matières colo-
rantes organiques syn-
thétiques; produits
organiques synthétiques
du genre de ceux utili-
sés comme "luminopho-
res"; produits des
types dits "agents de
blanchiment optique",
fixables sur fibre;
Indigo:

93205-3	Matières colorantes, n.d. ... à partir du 1er janvier 1984	10 p.c. 13.4 p.c. 25 p.c. 8.5 p.c.* 12.5 p.c.
93206-1	Laques coloran- tes ... à partir du 1er janvier 1984	10 p.c. 13.4 p.c. 25 p.c. 8.5 p.c. 12.5 p.c.

* Retiré temporairement jusqu'au 11 décembre 1984.

En 1981, au moment où les importations de Red Lake C ont été étudiées pour la première fois, le tarif de la NPF et le TPG pour les numéros tari-
faires 93205-3 et 93206-1 étaient de 14.4 p.c. et de 9.5 p.c. respectivement, ce qui représentait une différence de 4.9 points de pourcentage. Le tarif de
PB s'élevait alors à 10 p.c. de sorte que la marge entre le TPG et le tarif de
PB était de 0.5 points de pourcentage. Puisque l'Inde peut aussi profiter du
tarif de PB, la marge entre ce tarif et le TPG doit aussi être prise en
considération.

Conformément à l'entente conclue à l'issue de la Tokyo Round des
Négociations commerciales multilatérales (NCM), le tarif de la NPF pour ces
deux numéros tarifaires sera graduellement réduit jusqu'en 1987. Les taux TPG
seront aussi rabaisés conformément à la formule suivante, le cas échéant; -
le tarif de la NPF réduit d'un tiers rajusté à la baisse pour tenir compte des

(1) Le Colour Index⁽¹⁾ comme Pigment rouge 53:1, est un pigment rouge jaunâtre qui est utilisé considérablement dans l'industrie de l'encre d'imprimerie pour colorer une grande variété d'encres, y compris des encres de papier journal, de catalogues, d'emballages, de timbres, de bandes dessinées, de cartons, de sacs en plastique et d'autres produits. Ces encres passent des encres à base d'huile à grande viscosité jusqu'aux encres flexographiques à base d'eau ou de solvant à faible viscosité. Le Red Lake C peut aussi servir à la coloration de plastiques, de matières de caoutchouc, de peintures et d'autres produits; cependant, cette consommation représente moins de 10.0 pour cent du volume total, l'utilisation principale étant dans le secteur des encres d'imprimerie.

L'intégrité et l'uniformité de la couleur sont des critères importants de qualité pour les utilisateurs de Red Lake C. Des encres de qualité supérieure requièrent des pigments organiques supérieurs sur le plan technique au point qu'ils ne peuvent être substitués par des pigments de qualité moindre même s'ils ont le même indice de couleur.

La Dominion Colour a mis au point toute une gamme de produits comprenant cinq types de Red Lake C. Les exigences particulières d'application expliquent les préférences des différents clients dans cette gamme de produits. Ces cinq types sont visés par la présente enquête.

LES NUMÉROS TARIFAIRES PERTINENTS

La demande de prolongation du retrait du TPG se rapporte au numéro tarifaire 93205-3. Cependant, l'étude de la Commission sur les importations a révélé que des quantités appréciables de Red Lake C sont aussi importées au Canada de pays jouissant du TPG sous le numéro tarifaire 93206-1. Les deux numéros tarifaires donnent le même taux de droits, comme le démontre le tableau suivant, et les deux ont fait l'objet de l'étude.

(1) Le Colour Index est un système complet de classification de matières colorantes et de pigments, publié par la "Society of Dyers and Colourists" avec l'aide de la "American Association of Textile Chemists and Colourists". Ce système définit et identifie clairement chaque pigment ou matière colorante.

Le produit faisant l'objet de l'examen est le Red Lake C, un pigment organique servant à la préparation de couleurs. Le Red Lake C, inscrit dans

LES MARCHANDISES EN QUESTION

L'audience publique a effectivement eu lieu à la date prévue. La liste des personnes présentes est donnée à l'Annexe D. On peut se procurer une copie du procès-verbal de l'audience publique auprès du service de transcription moyennant le paiement de frais.

(Ciba-Geigy).

La Commission a reçu une intervention de la Ciba-Geigy Canada Ltd., pouvant être intéressées par l'enquête et ses résultats. A la suite de cela, par mesure d'information, aux pays profitant du TPG ainsi qu'aux parties la Gazette du Canada le 7 avril 1984 et fut aussi distribué par la Commission, d'une audience publique à compter du 5 juin 1984 à Ottawa. L'avis parut dans ordonnant la conduite d'une enquête publique complète et annonçant la tenue TPG. Par la suite, le 28 mars 1984, la Commission a publié l'avis SP-5.1, de sauvegarde relatives aux importations de Red Lake C de pays jouissant du la Dominion Colour, datée du 15 mars 1984, concernant les mesures temporaires du tarif le 10 février 1984, la Commission a accepté la demande de révision de A la suite de la directive que le ministre a adressée à la Commission

L'ENQUÊTE ET L'AUDIENCE PUBLIQUE

L'entrée au Canada. c'est-à-dire l'imposition de droits de douanes additionnels au moment de avaient retardé de quelques mois la mise en vigueur du retrait recommandé, sion ont révélé par après que des problèmes techniques et administratifs 1981 au 11 décembre 1984, (Annexe C). Toutefois, les enquêtes de la Commis- Lake C était retiré pour une période de trois ans, c'est-à-dire du 11 décembre de presse annonçant que le taux de droits du TPG sur les importations de Red Le 11 décembre 1981, le ministère des Finances publiait un communiqué

En mars 1981, la Dominion Colours Company Ltd. (Dominion Colours) a demandé à la Commission de retirer le TPG en ce qui concerne les importations de Red Lake C de la République de Corée (Corée) et de l'Inde, admises sous le numéro tarifaire 93205-3, parce que ces importations nuisaient à ses opérations. L'audience publique concernant cette demande de mesures de sauvegarde (SP-5) a eu lieu le 10 juin 1981. Dans son rapport au ministre des Finances, daté du 9 juillet 1981, la Commission du tarif a conclu que: (1)

i) Les importations de Red Lake C, provenant de Corée, admises sous le numéro tarifaire 93205-3 au taux de droits du TPG, portent préjudice à la Dominion Colours, le producteur canadien de Red Lake C, et que ce préjudice est imputable au taux de droits réduit du TPG;

ii) Le retrait de la marge de préférence du TPG, en ce qui concerne les importations de Red Lake C de la Corée, aiderait probablement beaucoup la production canadienne de cette marchandise;

iii) Les importations de l'Inde qui sont admises sous le numéro tarifaire 93205-3 au taux de droits du TPG n'ont pas porté préjudice à la demanderesse, et a recommandé:

iv) en ce qui concerne le Red Lake C importé de la Corée sous le numéro tarifaire 93205-3, que l'on retire immédiatement le taux de droits du TPG pour une période de trois ans, sous réserve d'une nouvelle étude lors de l'expiration de cette période.

Le rapport de la Commission a été déposé devant le Parlement le 21 octobre 1981 et, le 10 décembre 1981, un décret du conseil était passé, mettant en application les recommandations de la Commission de retirer pour une période de trois ans le taux de droits du TPG sur les importations de Red Lake C admises sous le numéro tarifaire 93205-3 et ce, pour tous les pays admissibles, (Annexe B).

(1) Renvoi no 158, relatif au Tarif de préférence général, demande de mesures de sauvegarde par la Dominion Colours Company Ltd., demande de mesures de sauvegarde no 5 - Etude et recommandations (le 9 juillet 1981), p. 6-7.

Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations aux taux réduits en vertu du TFG. A mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TFG à l'égard du produit ou des produits en question permettrait en fait de soulager les producteurs canadiens."

Le 10 février 1984

"Je désire par la présente lettre apporter quelques précisions à la Commission du tarif concernant la lettre de mandat du 24 juillet 1980, en ce qui a trait aux demandes de mesures temporaires de sauvegarde en vertu du Tarif de préférence général (TFG)."

Je juge qu'il serait utile d'éclaircir les responsabilités de la Commission dans les cas où des mesures temporaires de sauvegarde ont déjà été prises par le gouvernement. Vous savez sans doute que le gouvernement n'entend appliquer ces mesures de sauvegarde que pour une période qui permet de prévenir ou de corriger le préjudice causé aux producteurs canadiens par les taux préférentiels du TFG.

Par conséquent, je demande à la Commission, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, de rassembler tout renseignement pertinent sur une mesure de sauvegarde en vertu du TFG, pendant qu'elle est toujours en application, de recevoir et d'étudier les demandes présentées par des parties intéressées concernant l'état futur de la mesure et de faire rapport au gouvernement de ces demandes. La Commission doit présenter son rapport au gouvernement au plus tard 60 jours avant que cette mesure ne cesse d'être en vigueur. Bien entendu, si la Commission ne recevait aucune demande, elle ne devrait pas tenir d'audience et devrait cesser d'appliquer la mesure à la date d'expiration prévue ..."

DEMANDE DE PROLONGATION DES MESURES
TEMPORAIRES DE SAUVEGARDE PAR
DOMINION COLOUR COMPANY LTD.
-- DEMANDE DE MESURES DE SAUVEGARDE NO 5.1 --

La Commission, ayant à sa disposition le rapport du président chargé de l'enquête ainsi que les résultats des enquêtes connexes par son personnel, rapporte ce qui suit.

INTRODUCTION

La demanderesse, Dominion Colour Company Ltd., a demandé à la Commission de prolonger les mesures temporaires de sauvegarde en ce qui concerne les importations de Red Lake C, un pigment organique colorant, admises sous le numéro tarifaire 93205-3 de la République de Corée et de l'Inde, deux pays qui jouissent du Tarif de préférence général (TPG) et qui exportent ce pigment au Canada. Elle prétend que ces importations lui causent un préjudice et nuisent à la production de Red Lake C à l'usine de New Toronto en Ontario.

La demande initiale a été étudiée par la Commission à la suite d'une lettre de mandat du ministre des Finances, datée du 24 juillet 1980, concernant le TPG. La révision des mesures temporaires de sauvegarde est autorisée en vertu du mandat accordé par la lettre de mandat du 10 février 1984. Les parties pertinentes des deux lettres sont données ci-après, et les lettres figurent intégralement à l'Annexe A.

Le 24 juillet 1980

"Je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite de l'application du Tarif de préférence général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée.

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RELATIF AU TARIF
DE PRÉFÉRENCE GÉNÉRAL
DEMANDE DE PROLONGATION DES
MESURES TEMPORAIRES DE SAUVEGARDE
PAR DOMINION COLOUR COMPANY LTD.
— DEMANDE DE MESURES
DE SAUVEGARDE N° 5.1 —
ETUDE ET RECOMMANDATIONS

La Commission, ayant pris connaissance du rapport du Président de l'enquête, Monsieur K.C. Martin, et de la preuve documentaire présentée au soutien de cette demande, soumet dans le présent rapport ses conclusions et ses recommandations conformément à la lettre de renvoi du ministre des Finances.

LA COMMISSION DU TARIF
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REFERENCE 108

RELATING TO THE GENERAL PREPARED STATEMENT
PETITION FOR JUDICIAL REVIEW
BY WATERVILLE CELLULAR PRODUCTS LTD.
— KATHLEEN PETITION NO. 8 —
REVIEW AND SUBCOMMITTEE 1981



REFERENCE
158

A REPORT BY
THE
22
THE BOARD

REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

**PETITION FOR SAFEGUARD ACTION
BY WATERVILLE CELLULAR PRODUCTS LTD.
— SAFEGUARD PETITION NO. 7 —
REVIEW AND RECOMMENDATION**

The Board, having considered the report of its Hearing Officer, Mr. Jean P. Bertrand, and other material evidence with respect to this petition, submits its conclusions and recommendation in this report, pursuant to the reference by the Minister of Finance.

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RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION
BY WATERVILLE CELLULAR PRODUCTS LTD.
- SAFEGUARD PETITION NO. 7 -

INTRODUCTION

This report of the Tariff Board is made pursuant to Reference 158 relating to the General Preferential Tariff (GPT) and concerns the petition for safeguard action by Waterville Cellular Products Ltd., Waterville, Quebec, with respect to imports of rubber bicycle tubes under tariff item 61815-1 from GPT countries, in particular the Republic of Korea. The petitioner has alleged that these importations are threatening to cause injury to its tube producing operation at Waterville, Quebec, and it has petitioned the Board for withdrawal of the preferential benefit from such imports for at least two years.

The Board's terms of reference for the hearing of this petition are outlined in the letter of July 24, 1980, from the Minister of Finance, which states in part:

"I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury.

If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers."

The GATT definitions, referred to by the Minister, which serve as the framework for the inquiry, are as follows: "The term 'injury' shall, unless otherwise specified, be taken to mean ... injury to a domestic industry, threat of ... injury to a domestic industry or ... retardation of the establishment of such an industry ...,"⁽¹⁾ and the factors involved are those used in standard economic analyses, such as production, employment and sales.

THE PROCESS OF INQUIRY AND THE PUBLIC HEARING

The petitioner, Waterville Cellular Products Ltd. (Waterville Cellular) informed the Board in May, 1981, of its intention to petition for safeguard action. When the assembly of the required statistical and other information was completed, Waterville Cellular formally presented its petition late in September, 1981. The Board reviewed the submission and determined on October 19, 1981, that a prima facie case of injury existed⁽²⁾ and ordered a full public inquiry to commence.

This information was published in the Canada Gazette of October 31, 1981, together with a notice that a public hearing of the petition would be held on January 11, 1982, in Sherbrooke, Quebec. The Board also sent notices of the public hearing to GPT countries and to importers and other parties interested in the petition and its outcome. As a result of these notifications, two formal interventions, described later, were made.

The public hearing was duly held on the appointed day. A list of attendance appears in Appendix A. Transcripts of the proceedings at the public hearing are available at cost.

THE GOODS AT ISSUE

The petition covers inner bicycle tubes of rubber as described in CITC 625-25-21, entering under tariff item 61815-1. The tariff item details are given next.

(1) Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade, Geneva, 12th April, 1979, Part I, Article 2, paragraph 1 and footnote.

(2) On this date the six months' period commenced within which the Board must submit its report to the Minister of Finance.

<u>Tariff Item</u>	<u>British Prefer- ential Tariff</u>	<u>Most- Favoured- Nation Tariff</u>	<u>General Tariff</u>	<u>General Prefer- ential Tariff</u>	<u>U.K. and Ireland</u>
61815-1					
Tires and tubes, wholly or in part of rubber					
As of 1/1/82	14.8 p.c.	14.8 p.c.	35 p.c.	9.5 p.c.	14.8 p.c.
As of 1/1/84	12.9 p.c.	12.9 p.c.	35 p.c.	8.5 p.c.	12.9 p.c.

The petition concerns only the inner bicycle tubes covered by this tariff item, and not the other rubber tires and tubes also entering under this item. Tubes imported for use in the production of bicycles, the original equipment market, enter under tariff item 43906-1. Consequently, the petition relates to inner bicycle tubes destined for the replacement market only. The demand for tubes for bicycles already in use comprises the replacement market.

The differential between the GPT and MFN rates of duty, the margin of preference which the petitioner requests be withdrawn, amounts currently to 5.3 percentage points. By 1984, this margin of preference will diminish to 4.4 percentage points, reflecting the gradual MFN tariff reductions agreed upon at the Tokyo Round of Multilateral Trade Negotiations.

The GPT rate in question is determined by a formula which states that the GPT shall be equal to the BP rate or two-thirds of the MFN rate, whichever is the lesser. Hence the reductions in the GPT rate mentioned above as the MFN rate declines as scheduled. The GPT is not subject to negotiations being a unilateral extension by Canada of preferential rates of duty to select less developed countries. The GPT was introduced in 1974 and remains in force until 1984, when the scheme will be reviewed.

A bicycle tube can be produced as a flat sheet which is subsequently rolled, cut and welded; it can be moulded; or the tube can be extruded as a tube and then cut and welded. Waterville Cellular, under licence from Hutchinson-Mappa of France, produces bicycle tubes by extrusion in a continuous process. This process, together with the use of high quality rubber, yields tubes equal to or better in quality than the standard imported product from Korea. Because of licensing arrangements, the manufacturer is not at liberty to vary the production process.

THE PETITIONER

Waterville Cellular Products Ltd., the petitioner, was established in 1977 by the purchase of the B.F. Goodrich rubber products plant located in Waterville, Quebec, after its closure had been announced by the B.F. Goodrich Company of Ohio, U.S.A. The purchase was effected by a group of former employees of B.F. Goodrich.

The company produces a number of different rubber products such as underlays for carpeting and moulding for automobiles. The Waterville plant at present employs some 400 people. The petitioner is the major employer in that area. It also owns and operates a plant in St. Jerome, Quebec, acquired under similar circumstances.

In 1980, the petitioner, in order to diversify output, invested in special equipment for the manufacture of bicycle tubes. Production of these goods commenced in February, 1981. The petitioner is currently the sole Canadian manufacturer of bicycle tubes. Using a one-shift system of operations, it has the capability of producing 1.625 million tubes per annum, covering the full range of commercial sizes.

INTERVENTIONS

Following the established inquiry process, the Board made public the receipt of the petition. As a result, the petition attracted two interventions. Wally-Hayes (Canada) Ltd., a "commissioned agent" and importer, submitted a confidential brief to the Board, as well as a non-confidential summary of it, in opposition to the petition. The intervenant stated that, in its view, the removal of the GPT on imports of Korean bicycle tubes would in all likelihood merely cause a replacement of Korean tubes by imports from Taiwan. That country is not a beneficiary under the GPT scheme and its imports are subject to MFN rates of duty.

Despite the higher MFN rate, Taiwanese f.o.b. prices for bicycle tubes, according to the intervenant, are lower than comparable Korean prices. A removal of the preferential duty from Korean imports, the intervenant further argued, would thus enhance still more the price-attractiveness of Taiwanese bicycle tubes. Demand would likely shift to low cost imports from Taiwan when relative prices of Korean bicycle tubes increase after the removal of the GPT. As a result, Waterville Cellular would not gain any additional sales. The intervenant contended that Korean prices could not be lowered -- at least at present -- to offset the change in the tariff rate which the removal of the GPT would effect. No evidence was brought before the Board as to why imports from Taiwan have not increased their share of the market under existing favourable price differentials. On the face of it, though, it would appear that Taiwan supplies the U.S. market while Korea has penetrated the Canadian market.

The Board also received, from the Korea Trade Center in Montreal, a non-confidential brief on behalf of Korean manufacturers of bicycle tubes, which was likewise directed against the petition. The brief asserted that GPT benefits are necessary in order to assist developing countries such as Korea in their technological and industrial development, the main reason for the scheme. It should be noted, though, that the Korean output of bicycle tubes is much larger than that of the petitioner and is specifically oriented towards export markets.

Interventions received by the Board entered the public record, subject to provisions respecting confidentiality.

ANALYSIS

Imports from all countries of inner bicycle tubes of rubber for the replacement market, entering Canada under CITC 625-25-21 and tariff item 61815-1, have amounted on average to 1.6 million tubes per year during the last five years.⁽³⁾ Although there are yearly fluctuations, on average, close to 50 per cent of the volume of such imports have originated in the recent past from Korea.

Imports have supplied the entire Canadian replacement market for bicycle tubes during the last eight to nine years, until the petitioner's product became available in 1981. The volume of the replacement market, as shown by imports, has been relatively stable in the recent past.

Marketing of bicycle tubes for the replacement market is very seasonal. Retail sales, at outlets such as Canadian Tire Corporation, occur mostly during the spring and summer. Deliveries must be made, therefore, during March and April from orders placed with importers (or the domestic producer) during the preceding fall. This planning, ordering and delivery schedule requires that the suppliers' marketing efforts must commence some nine months ahead of retail sales, and that production must be under way, or inventories available, at least three to four months prior to deliveries in March or April.

The petitioner did not commence marketing efforts at the time required to enter the market in 1981. Production of tubes by the petitioner did not start until February of that year. Moreover, start-up problems prevented deliveries in commercial quantities until mid-1981. Effective market penetration was further hampered by the petitioner's pricing policies. The price list published by Waterville Cellular in April, 1981, when market entry was attempted, quoted prices nearly 12 per cent higher than those for competing Korean products in almost all categories of bicycle tubes offered by the petitioner.

As a result of all these factors, Waterville Cellular did not reach its planned level of output. Employment in tube manufacturing was well below the anticipated level of fifteen workers. Inventories were well above normal, in fact so much so that the production line was closed down for part of 1981. The expected break-even point was not realized, and the petitioner experienced a loss on its first season's operations.

(3) Further import data disclosure is limited by the Statistics Act.

However, the petitioner took corrective action for the 1982 selling season. Production problems were largely resolved. Inventories were ample to support the sales effort for 1982. A more aggressive marketing strategy was developed and implemented. In addition, the petitioner reduced its prices for bicycle tubes by about 14 per cent in order to be competitive with those of the Korean product. At these reduced prices, however, production and sales require significant market penetration to break even or be profitable.

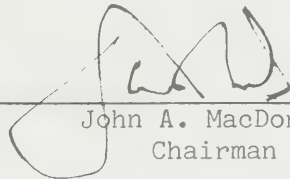
The price competitiveness of the petitioner with the Korean product will in all likelihood hold for the 1982 season as orders and prices have been firmed for some time now. The petitioner's concern, therefore, was with the possibility of price retaliation by the Korean producer in 1983 and thereafter, and the threat of injury which this would pose for its tube manufacturing operation. In view of the differences in unit values, f.o.b. point of shipment, between bicycle tubes of similar quality imported from Korea for the original equipment market and those for the replacement market, it appears that the higher prices for the replacement market, having allowed for higher packaging costs associated with that market, provide considerable potential for price adjustment by Korean producers. This threat becomes even more real considering that sales of bicycle tubes to Canada are but a small proportion of total Korean bicycle tube sales, thus making it easier for Korean producers to absorb a price adjustment on exports to Canada. The petitioner contended that withdrawal of the GPT would significantly reduce the extent to which the Korean producers could lower their prices, and would provide relief in assisting the petitioner to realize a volume of output which would be viable in the long run.

CONCLUSIONS AND RECOMMENDATION

Based on the evidence before it, the Board concludes that the problems encountered by the petitioner in 1981 with respect to inner bicycle tubes of rubber are attributable primarily to production and marketing difficulties experienced by the petitioner, Waterville Cellular Products Ltd., and not to imports from Korea under the General Preferential Tariff.

The Board further concludes, now that the petitioner's initial production and marketing problems have been overcome, that there is a real threat of injury to Canadian production from a lowering of prices by Korean suppliers. In view of the narrow margins involved in the production of bicycle tubes, it is the opinion of the Board that the withdrawal of the GPT margin of preference of 5.3 percentage points would provide significant relief to the petitioner, especially during the development stage of this new industry when the petitioner is striving to reach a volume of production and sales necessary to long-run viability, in that it would extend its capability to meet this perceived threat of lower import prices. Should the establishment of production of bicycle tubes on a viable basis not be achieved within the two-year period stipulated by Waterville Cellular Products Ltd., at the public hearing, the withdrawal of the GPT should be allowed to lapse.

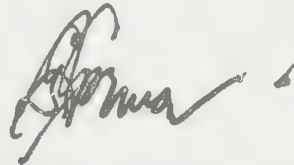
Therefore, it is recommended that the GPT benefits be withdrawn from inner bicycle tubes of rubber imported from the Republic of Korea under tariff item 61815-1 for a two-year period.



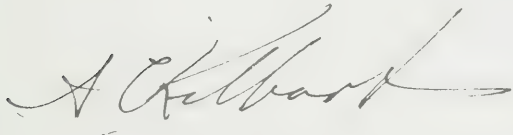
John A. MacDonald
Chairman



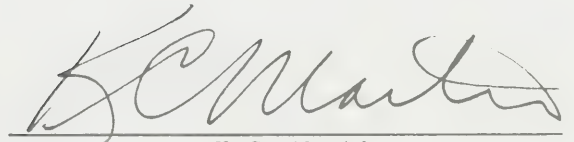
G. Deachman
First Vice-Chairman



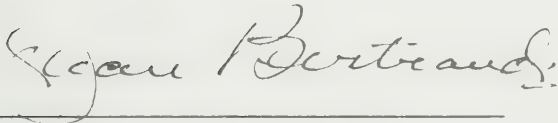
G.J. Gorman, Q.C.
Second Vice-Chairman



A.C. Kilbank
Member



K.C. Martin
Member



Jean P. Bertrand
Member



R.K. Matthie
Member

APPENDIX A

Attendance List

Reference 158

Safeguard Petition No. 7

Public Hearing in Sherbrooke, Quebec
on January 11, 1982
commencing at 10:00 a.m.

ATTENDANCE LIST

For the Tariff Board

Mr. Jean P. Bertrand	Hearing Officer
Mr. R.C. Lefebvre	Assistant Secretary to the Tariff Board
Mr. W.L. Posthumus	Director, Inquiry Operations
Dr. A.N. Polianski	Project Leader, Reference 158
Dr. J.C. Claros	Case Economist

For the Petitioner

Mr. R.L. Calder	Vice-President & General Manager
Mr. T.G. Markey	Vice-President - Marketing & Sales
Mr. G. Sauriol	Controller
Mr. D.H. Noble	Purchasing Manager
Mrs. G. Bruun	Traffic Supervisor
Mr. J. Aubin	Sales Representative

For the Intervenants

Korea Trade Center, Montreal

Mr. M.K. Chung	Director
Mr. T. Manti	Economic Analyst

Wally-Hayes (Canada) Ltd.

Mr. M.A. Daly	President
Mrs. M.E. Daly	Vice-President

Renvoi 158

Demande de mesures de sauvegarde n° 7

Audience publique tenue à Sherbrooke (Québec)
le 11 janvier 1982 et
qui a débuté à 10h.

LISTE DES PERSONNES PRESENTES

Pour la Commission du tarif

M. Jean P. Bertrand
M. R.C. Lefebvre

M. W.L. Posthumus

Dr A.N. Polianski

Dr J.C. Claros

Pour la demanderesse

M. R.L. Calder
M. T.G. Markey

M. G. Sauriol

M. D.H. Noble

Mme. G. Bruun

M. J. Aubin

Pour les intervenants

Centre Coréen de Commerce Extérieur, Montréal

M. M.K. Chung

M. T. Mantl

Directeur
Analyste économique

Wally-Hayes (Canada) Ltd.

M. M.A. Daly

Mme. M.E. Daly

Président

Vice-président

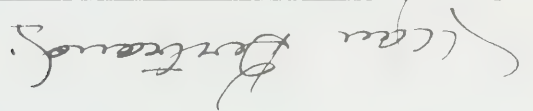
Vice-président et gérant général
Vice-président - commercialisation
et ventes
Contrôleur
Gérant des achats
Superviseur du trafic
Représentant des ventes

Liste des personnes présentes

APPENDICE A

Ottawa
Le 24 mars 1982

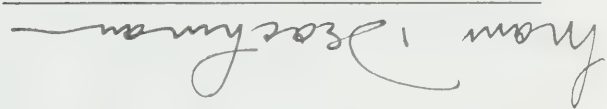
Jean P. Bertrand
Membre



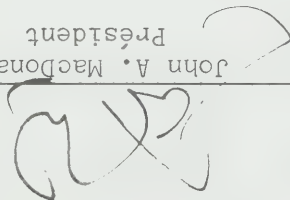
A.C. Kilbank
Membre



G. Deachman
Premier vice-président



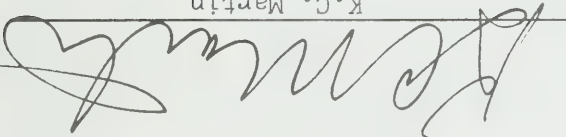
John A. MacDonald
Président



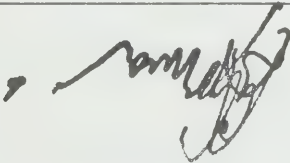
R.K. Mathie
Membre



K.C. Martin
Membre



G.J. Gorman, C.R.
Deuxième vice-président



Compte tenu des éléments de preuve dont elle dispose, la Commission conclut que les problèmes auxquels la demanderesse a fait face en 1981 relativement aux chambres à air de caoutchouc pour bicyclettes sont principalement attribuables à des difficultés de production et de mise en marché rencontrées par la demanderesse, Produits Cellulaires Waterville Ltée, et non pas aux importations de Corée faites en vertu du Tarif de préférence général.

La Commission conclut de plus que, les problèmes initiaux de production et de mise en marché de la demanderesse ayant été réglés, il existe maintenant une menace réelle de préjudice à l'égard de la production canadienne en raison de la diminution des prix effectuée par les fournisseurs coréens. A cause des marges étroites existantes relativement à la production des chambres à air pour bicyclettes, la Commission est d'avis que le retrait de la marge de préférence du TPG de 5.3 points de pourcentage constituerait un soulagement important pour la demanderesse, spécialement au cours de la période de développement de cette nouvelle industrie, alors que la demanderesse essaie d'atteindre un volume de production et de vente nécessaires pour assurer sa viabilité à long terme, car cela élargirait ses possibilités de faire face à la menace perçue de prix à l'importation moins élevés. Si la production de chambres à air pour bicyclettes ne peut être établie sur une base viable au cours de la période de deux ans stipulée par Produits Cellulaires Waterville Ltée, lors de l'audience publique, le TPG devrait alors être rétabli.

En conséquence, il est recommandé que les avantages du TPG soient retirés en ce qui a trait aux chambres à air de caoutchouc pour bicyclettes importées de la République de Corée sous le numéro tarifaire 61815-1 pour une période de deux ans.

La demanderesse n'a pas commencé sa mise en marché au moment requis pour que ses produits soient sur le marché en 1981. La production de chambres à air n'a pas débuté avant le mois de février de ladite année. De plus, des problèmes relatifs au début des opérations n'ont pas permis de faire des livraisons en quantités commerciales jusqu'au milieu de l'année 1981. Les politiques d'établissement des prix de la demanderesse ont de plus empêché une pénétration efficace du marché. Le prix-courant publié par Produits Cellulaires Waterville en avril 1981, au moment où elle essayait de faire son entrée sur le marché, indiquait des prix supérieurs de près de 12 pour cent aux prix des produits concurrents provenant de Corée dans environ toutes les catégories de chambres à air pour bicyclettes offertes par la demanderesse.

En raison de tous ces facteurs, Produits Cellulaires Waterville n'a pas atteint le niveau de production planifié. Le niveau d'emploi relatif à la fabrication des chambres à air a été de beaucoup inférieur au niveau prévu de 15 ouvriers. Les stocks étaient bien au-dessus des niveaux normaux, et ils étaient tellement élevés que la ligne de production a été arrêtée pendant une partie de l'année 1981. La compagnie n'a pu rentrer dans ses frais et la demanderesse a subi une perte pour ses opérations de la première saison.

Toutefois, la demanderesse a pris des mesures correctives pour la saison de vente 1982. Les problèmes de production ont été en grande partie réglés. Les stocks étaient suffisants pour les ventes de 1982. On a élaboré et mis en vigueur une stratégie de mise en marché beaucoup plus énergique. De plus, la demanderesse a réduit ses prix pour les chambres à air pour bicyclettes d'environ 14 pour cent pour concurrencer les prix du produit coréen. Cependant, à ces prix réduits, la production et les ventes exigent une pénétration importante du marché afin que la demanderesse puisse rentrer dans ses frais ou faire des profits.

La concurrence entre les prix de la demanderesse et ceux du produit coréen se poursuivra vraisemblablement pour la saison 1982, car les commandes et les prix sont demeurés fermes depuis un certain temps. La demanderesse s'inquiétait donc de la possibilité de représailles en matière de prix de la part du producteur coréen pour l'année 1983 et les années suivantes, ainsi que de la menace de préjudice que cela entraînerait à l'égard de ses activités de fabrication de chambres à air. Compte tenu des différences dans les valeurs à l'unité, dans le point d'expédition f. à b., entre les chambres à air pour bicyclettes de qualité semblable importées de Corée qui sont destinées au marché de l'équipement original et celles destinées au marché des pièces de rechange, il semble que les prix plus élevés pour le marché des pièces de rechange ayant entraîné des frais d'emballage supérieurs dans le cas de ce marché, offrent d'immenses possibilités aux producteurs coréens pour le rajustement des prix. Cette menace semble encore plus réelle si l'on tient compte du fait que les ventes de chambres à air pour bicyclettes au Canada représentent une faible proportion du total des ventes des chambres à air pour bicyclettes provenant de Corée, ce qui permet aux producteurs coréens d'absorber plus facilement un rajustement des prix sur les exportations au Canada. La demanderesse a soutenu que le retrait du taux TPG limiterait grandement les possibilités dont disposent les producteurs coréens pour réduire leurs prix; cela lui apporterait un certain soulagement et l'aiderait à atteindre un volume de production qui serait viable à long terme.

La Commission a également reçu du Centre Coréen de Commerce Extérieur de Montréal un exposé non-confidentiel au nom des fabricants coréens de chambres à air pour bicyclettes dans lequel on s'opposait également à la demande. Dans cet exposé, on soutenait que les avantages du TPG sont nécessaires afin d'aider les pays en voie de développement comme la Corée, pour l'avancement de la technologie et de l'industrie, ce qui constitue la principale raison d'être de ce plan. Il faut noter toutefois que la production coréenne de chambres à air pour bicyclettes est beaucoup plus importante que la production de la demande et qu'elle est particulièrement orientée vers les marchés d'exportation.

Les interventions reçues par la Commission ont été consignées dans les registres publics, sous réserve des dispositions concernant leur aspect confidentiel.

ANALYSE

Les importations de tous les pays des chambres à air de caoutchouc pour bicyclettes destinées au marché des pièces de rechange, qui entrent au Canada en vertu du code des marchandises 625-25-21 et du numéro tarifaire 61815-1, se sont chiffrées à une moyenne de 1.6 million de chambres à air par année au cours des cinq dernières années. (3) Même s'il y a des fluctuations d'une année à l'autre, on a constaté, qu'en moyenne au cours des dernières années près de 50 pour cent du volume de ces importations provenaient de Corée.

Les importations ont accaparé l'ensemble du marché canadien des pièces de rechange visant les chambres à air pour bicyclettes au cours des huit ou neuf dernières années jusqu'à ce que le produit de la demande se fasse son apparition en 1981. Le volume du marché des pièces de rechange, comme le montrent les importations, a été relativement stable dans ces derniers temps.

La mise en marché des chambres à air pour bicyclettes destinées au marché des pièces de rechange est très saisonnière. Les ventes au détail dans des magasins comme Canadian Tire Corporation se produisent principalement au cours du printemps et de l'été. En conséquence, les livraisons doivent être effectuées au cours des mois de mars et d'avril, et les commandes doivent avoir été faites par les importateurs (ou le producteur national) au cours de l'automne précédent. En raison du programme de planification, de commande et de livraison, le fournisseur doit commencer sa mise en marché environ neuf mois avant les ventes au détail; la production doit être en cours ou les stocks doivent être disponibles au moins de trois à quatre mois avant les livraisons qui sont effectuées en mars ou avril.

(3) La Loi sur la statistique limite la divulgation d'autres données relatives aux importations.

LA DEMANDERESSE

Produits Cellulaires Waterville Ltée, la demanderesse, a été constituée en 1977 par l'achat de l'usine des produits de caoutchouc de la B.F. Goodrich située à Waterville (Québec), après que sa fermeture eut été annoncée par la B.F. Goodrich Company of Ohio, E.-U. L'achat a été effectué par un groupe d'anciens employés de B.F. Goodrich.

La compagnie produit un bon nombre de différents produits de caoutchouc, la plupart de nature industrielle, comme des assises pour les tapis et des moules pour les automobiles. L'usine de Waterville emploie actuellement environ 400 personnes. La demanderesse est le principal employeur de cette région. Il possède également et exploite une usine à St-Jérôme (Québec) qui a été acquise dans des circonstances semblables.

Afin de varier sa production la demanderesse fit l'acquisition en 1980 d'un équipement spécial pour la fabrication de chambres à air pour bicyclettes. La production a débuté en février 1981. Produits Cellulaires Waterville Ltée est actuellement le seul fabricant canadien de chambres à air pour bicyclettes. La firme a une capacité de production annuelle de 1.625 million de chambres à air, de toutes les grandes usines commerciales, bien qu'elle n'utilise qu'un seul poste de production dans l'usine.

INTERVENTIONS

À la suite du processus d'enquête établi, la Commission a rendu publique la réception de la demande. Cela a provoqué le dépôt de deux interventions. Wally-Hayes (Canada) Ltd., un "commissioinaire" et importateur, a présenté un exposé confidentiel à la Commission, ainsi qu'un résumé non-confidentiel de ce document pour s'opposer à la demande. L'intervenant a déclaré que, à son avis, le retrait du taux TPG à l'égard des importations des chambres à air pour bicyclettes provenant de Corée entraînerait vraisemblablement le remplacement de ces dernières par des importations provenant de Taïwan. Ce pays ne bénéficie pas des avantages accordés en vertu du programme TPG et ses importations sont assujetties aux taux de droit NPF.

Malgré le taux élevé NPF, les prix f. à b. de Taïwan pour les chambres à air pour bicyclettes, selon l'intervenant, sont moins élevés que les prix comparables de la Corée. Le retrait des droits préférentiels à l'égard des importations de Corée, a soutenu l'intervenant, accroîtrait alors l'attrait pour les chambres à air pour bicyclettes provenant de Taïwan en raison de leur prix. La demande s'orienterait alors vers les importations à bas prix provenant de Taïwan lors de l'augmentation des prix relatifs des chambres à air pour bicyclettes provenant de Corée après le retrait du taux TPG. Ainsi, Produits Cellulaires Waterville ne ferait aucune vente supplémentaire. L'intervenant a soutenu que les prix de Corée ne pourraient être abaissés - du moins pour le moment - pour contrer le changement du taux tarifaire causé par le retrait du taux TPG. Aucune preuve n'a été soumise à la Commission indiquant la raison pour laquelle les importations de Taïwan n'ont pas occupé une plus grande part du marché en vertu des différences de prix favorables qui existent. Ainsi, il semblerait que Taïwan fournit le marché américain tandis que les produits de Corée ont fait leur apparition sur le marché canadien.

Numéro	Tarifaire	Tarif de préférence nationale	Tarif de la plus favorisée	Tarif général	Tarif de préférence général	R.-U. et Irlande
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61815-1
Pneus et chambres à air,
en totalité ou en par-
tie de caoutchouc

Au 1/1/82	14.8 p.c.	35 p.c.	9.5 p.c.	14.8 p.c.
Au 1/1/84	12.9 p.c.	35 p.c.	8.5 p.c.	12.9 p.c.

La demande s'applique seulement aux chambres à air pour bicyclettes qui sont visées par ce numéro tarifaire et à aucun autre pneu ou chambre à air de caoutchouc qui fait également partie du même numéro tarifaire. Les chambres à air importées pour être utilisées dans la production de bicyclettes, le marché pour l'équipement original, sont visées par le numéro tarifaire 43906-1. En conséquence, la demande a trait aux chambres à air pour bicyclettes qui sont destinées uniquement au marché des pièces de rechange. La demande pour les chambres à air pour bicyclettes déjà en usage inclut le marché des pièces de rechange.

L'écart entre les taux de droits TPG et NPF, la marge de préférence que la demanderesse désire voir retirée, se chiffre présentement à 5.3 points de pourcentage. D'ici 1984, cette marge de préférence sera réduite à 4.4 points de pourcentage et reflètera les réductions tarifaires graduelles de la NPF consenties lors des Négociations de Tokyo sur le commerce multilatéral.

Le taux TPG en question est déterminé par une formule qui stipule que le TPG doit être égal au taux PB ou aux deux tiers du taux NPF, selon le taux qui est le moins élevé. De là les réductions dans le taux TPG susmentionné au fur et à mesure que le taux NPF diminue tel que prévu. Le taux TPG n'est pas assujéti aux négociations qui constituent une extension unilatérale par le Canada des taux de droits préférentiels accordés à certains pays moins développés. Le taux TPG a été introduit en 1974 et demeurera en vigueur jusqu'en 1984 lorsque la formule sera révisée.

Une chambre à air pour bicyclettes peut être produite sous forme de feuille plane qui par la suite est roulée, coupée et soudée; elle peut être moulée ou elle peut être étirée sous forme de chambre à air puis coupée et soudée. Produits Cellulaires Waterville, en vertu d'une licence de Hutchinson-Mappa de France, produit des chambres à air pour bicyclettes selon un processus continu d'étirage. Ce processus, ainsi que l'usage d'un caoutchouc de haute qualité, permet d'avoir des chambres à air dont la qualité est égale ou supérieure au produit standard importé de Corée. En raison des ententes en matière de licence, le fabricant n'est pas libre de varier son processus de production.

Les définitions du GATT auxquelles se réfère le Ministre sont à la base de l'enquête et se lisent ainsi: "Le terme 'préjudice' s'entendra, sauf indication contraire, d'un préjudice ... causé à une branche de production nationale, d'une menace de préjudice ... pour une branche de production nationale ou de retard ... dans la création d'une branche de production nationale ..." (1) Les facteurs en cause sont ceux dont on se sert habituellement dans les analyses économiques dans les domaines de la production, de l'emploi et des ventes.

L'ENQUÊTE ET L'AUDIENCE PUBLIQUE

En mai 1981, la demanderesse, Produits Cellulaires Waterville Ltée (Waterville Cellular) a prévenu la Commission de son intention de demander des mesures de sauvegarde. Lorsque furent réunis au complet les données statistiques et autres renseignements, Produits Cellulaires Waterville a formellement inscrit sa cause au début de septembre 1981. La Commission a étudié la documentation soumise et a déterminé le 19 octobre 1981, qu'un préjudice prima facie existait (2) et a ordonné que débute l'enquête publique.

Cette information a été publiée dans la Gazette du Canada le 31 octobre 1981, ainsi qu'un avis d'audition publique de la demande devant avoir lieu le 11 janvier 1982 à Sherbrooke (Québec). En outre, la Commission a envoyé des avis de la date d'audience à tous les pays TPG, aux importateurs et autres parties intéressées à cette demande et à son résultat. À la suite de ces avis, deux interventions officielles, décrites ci-après, ont été déposées.

L'audience publique a été tenue à la date prévue. Une liste des personnes présentes apparaît à l'Appendice A. Les transcriptions des témoignages sont disponibles moyennant certains frais.

LES MARCHANDISES EN CAUSE

La demande englobe les chambres à air de caoutchouc pour bicyclettes qui sont décrites dans le code des marchandises 625-25-21, faisant partie du numéro tarifaire 61815-1. Le numéro tarifaire se lit comme il suit:

(1) Accord relatif à l'interprétation et à l'application des articles VI, XVI et XXIII de l'Accord général sur les tarifs douaniers et le commerce, Genève, le 12 avril 1979, partie I, article 2, paragraphe 1 et renvoi.
(2) À cette date a débuté la période de six mois prescrite à la Commission pour présenter son rapport au ministre des Finances.

PORTANT SUR LE TARIF DE PREFERENCE GENERAL

DEMANDE DE MESURES DE SAUVEGARDE
DE PRODUITS CELLULAIRES WATERVILLE LTÉE
- DEMANDE DE MESURES DE SAUVEGARDE N° 7 -

INTRODUCTION

Le présent rapport de la Commission du tarif porte sur le Renvoi 158 ayant trait au tarif de préférence général (TPG) et vise la demande de mesures de sauvegarde présentée par Produits Cellulaires Waterville Ltée, Waterville (Québec) au sujet des importations de chambres à air de caoutchouc pour bicyclettes en vertu du numéro tarifaire 61815-1 provenant des pays TPG, et particulièrement de la République de Corée. La demanderesse a prétendu que ces importations menacent de causer du tort à ses opérations de production de chambres à air à Waterville (Québec) et elle a réclamé que la Commission retire les avantages préférentiels à l'égard de ces importations pour au moins deux ans.

Les attributions de la Commission relatives à l'audition de la présente demande sont précisées dans la lettre du Ministre, datée du 24 juillet 1980, laquelle déclare:

"Je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite d'application du Tarif de préférence général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée.

Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations aux taux réduits en vertu du TPG. À mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG à l'égard du produit ou des produits en question permettrait en fait de soulager les producteurs canadiens."

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RENOI 158

PORTANT SUR LE TARIF DE PRÉFÉRENCE GÉNÉRAL
DE PRODUITS CELLULAIRES WATERVILLE LTÉE
— DEMANDE DE MESURES DE SAUVEGARDE N° 7 —
ÉTUDE ET RECOMMANDATION

La Commission, ayant pris connaissance du rapport
du Président chargé de l'enquête, Monsieur Jean P.
Bertrand, et de la preuve documentaire présentée
au soutien de cette demande, soumet dans le
présent rapport ses conclusions et sa recommanda-
tion conformément à la lettre de renvoi du ministre
des Finances.

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REFERENCE 158
RELATING TO THE GENERAL PREFERENTIAL TARIFF
PETITION FOR SAFEGUARD ACTION
BY GREAT LAKES SPORTING GOODS LIMITED
— SAFEGUARD PETITION NO. 8 —
REVIEW AND RECOMMENDATION



REFERENCE
158

APPROVED BY
DUTY-FREE BOARD

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REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

**PETITION FOR SAFEGUARD ACTION
BY GREAT LAKES SPORTING GOODS LIMITED**

**— SAFEGUARD PETITION NO. 8 —
REVIEW AND RECOMMENDATION**

The Board, having considered the report of its Hearing Officer, Mr. G. J. Gorman, Q.C., and other material evidence with respect to this petition, submits its conclusions and recommendation in this report, pursuant to the reference by the Minister of Finance.

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ECONOMISTS FOR THIS INQUIRY

Dr. A.N. Polianski, Assistant Director

Dr. J.C. Claros

OTHER PARTICIPANTS FOR THIS INQUIRY

G.R. Grant

Ottawa

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RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION
BY GREAT LAKES SPORTING GOODS LIMITED
- SAFEGUARD PETITION NO. 8 -INTRODUCTION

This report of the Tariff Board is made pursuant to Reference 158 relating to the General Preferential Tariff (GPT) and concerns the petition for safeguard action by Great Lakes Sporting Goods Limited, Windsor, Ontario, with respect to imports of fishing rods under tariff item 44034-1 from the Republic of Korea, a GPT country. The petitioner has alleged that these importations have caused and are threatening to cause injury to its fishing rod production facilities at Windsor, Ontario, and has petitioned the Board for withdrawal of the GPT from such imports for two years.

The Board's terms of reference for the hearing of this petition are outlined in the letter of July 24, 1980, from the Minister of Finance, which states in part:

"I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury.

If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers."

The GATT definitions, referred to by the Minister, which serve as the framework for the inquiry, are as follows: "The term 'injury' shall, unless otherwise specified, be taken to mean ... injury to a domestic industry,

threat of ... injury to a domestic industry or ... retardation of the establishment of such an industry ..."(1), and the factors involved are those used in standard economic analyses, such as production, employment and sales.

THE PROCESS OF INQUIRY AND THE PUBLIC HEARING

The petitioner, Great Lakes Sporting Goods Limited (Great Lakes) informed the Board in January, 1982, of its intention to petition for safeguard action. When the assembly of the required statistical and other information was completed, Great Lakes formally presented its petition in April, 1982. The Board reviewed the submission and determined on May 25, 1982, that a prima facie case of injury existed and ordered a full public inquiry to commence.

This information was published in the Canada Gazette of June 5, 1982, together with a notice that a public hearing of the petition would be held on August 9, 1982, in Windsor, Ontario. The Board also sent notices of the public hearing to GPT countries concerned, to importers and to other parties interested in the petition and its outcome. As a result of these notifications, several formal interventions, described later, were made.

The public hearing was duly held on the appointed day. An attendance list appears in Appendix A. Transcripts of the proceedings at the public hearing are available at cost from the transcription service.

THE GOODS AT ISSUE

The petition covers sportsmen's fishing rods as described in CITC 832-84-30, entering under tariff item 44034-1. The details of this tariff item are as follows:

<u>Tariff</u> <u>Item</u>	<u>Description</u>	<u>British</u> <u>Prefer-</u> <u>Tariff</u>	<u>Most-</u> <u>Favoured-</u> <u>Nation</u> <u>Tariff</u>	<u>General</u> <u>Tariff</u>	<u>General</u> <u>Prefer-</u> <u>Tariff</u>	<u>U.K. and</u> <u>Ireland</u>
44034-1	Trawls, trawling spoons, fly hooks, hooks, sin- kers, swivels, bait, sportsmen's fishing reels, fishing rods, and fishing tackle, n.o.p.					
	As of 1/1/82	Free	14.8 p.c.	30 p.c.	Free	10.2 p.c.
	As of 1/1/87	Free	10.2 p.c.	30 p.c.	Free	10.2 p.c.

(1) Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade, Geneva, 12th April, 1979, Part I, Article 2, paragraph 1 and footnote.

The petition concerns only sportsmen's fishing rods coming in under this tariff item, and not the other goods also entering under this item.

The differential between the GPT and MFN rates of duty, i.e., the margin of preference which the petitioner requests be withdrawn, amounts currently to 14.8 percentage points. By 1987, this margin of preference will diminish to 10.2 percentage points, reflecting the gradual MFN tariff reductions agreed upon at the Tokyo Round of Multilateral Trade Negotiations.

Fishing rods are manufactured from solid or hollow, glass fibre reinforced, rod blanks. These blanks are painted, then guides are added and wrapped with thread in attractive designs. Handles are moulded and attached to the rods. Cork is cut to the right size and slipped over the handle. Handles may then be drilled to fit various reel clips.

THE PETITIONER

Great Lakes Sporting Goods Limited has been in operation in Windsor, Ontario, since its incorporation in 1947. The company produces a complete line of fishing rods, other than "telescopic" rods, at its Windsor, Ontario, plant. The company's rod blanks are imported largely from the U.S.A., duty free, under the end-use tariff item 93907-7.

The plant's capacity to produce both solid and tubular fishing rods approximates half a million rods per year. The company employs 17 people on a permanent basis and an additional 15-20 temporary employees during the winter peak production season.

INTERVENTIONS

Following the established inquiry process, the Board made public the receipt of the petition. As a result, the petition attracted six interventions. Four of these were counter-petitions, while two were in direct or indirect support of the petition.

The main points made by the four counter-petitioners were as follows:

- (i) There would be little or no increase in business for Great Lakes, because the price differential between Korean and Taiwanese rods and Great Lakes' rods was so great that the imposition of a 14.8 p.c. MFN rate of duty on Korean rods alone would not be enough to make Great Lakes more competitive. In addition, there would be no significant relief for Great Lakes as a result of withdrawing the GPT on fishing rods from Korea, because such withdrawal would not affect the MFN rate of duty on imports of rods from Taiwan.
- (ii) Even without withdrawal of the GPT, Korean rods entering duty free were already losing their market share to imports of rods from Taiwan. Therefore, the removal of the GPT on imports of fishing rods from Korea would in all likelihood cause a further replacement of Korean rods by imports from Taiwan, which are price competitive, thus again offering little gain to Canadian producers.
- (iii) Canadian-produced tubular rods were already largely uncompetitive in price and in quality with imports from Korea and Taiwan.

In sum, therefore, "We cannot see where the increase in duty would help the Canadian rod assemblers. It would only drive the large purchasers to import more rods from Taiwan".⁽¹⁾

Sports Mitchell Canada Inc., an importer of fishing rods, argued that there should be no "discrimination" in tariff treatment between countries, i.e., that Korea should face the same MFN tariff rates as Taiwan, with GPT withdrawn.

Major Rod Manufacturing supported Great Lakes' petition for the withdrawal of the GPT on fishing rods imported from Korea. The company pointed out that some of its largest accounts had shifted much of their tubular fishing rod purchases to Korea in recent years. As a result, Major Rod's sales had dropped and its employment had fallen sharply. Major Rod had only been able to survive by manufacturing solid glass rods until 1982, when it started making new types of tubular rods. GPT withdrawal could help Major Rod expand its capacity, and the company might then achieve the volume necessary for producing its own rod blanks to enjoy the benefits of an integrated production process.

ANALYSIS⁽²⁾

Total imports of fishing rods tripled from 304,488 rods in 1972 to 935,729 rods in 1981. Importations from Korea and Taiwan accounted for all of the increase, significantly displacing imports from Japan and the United States during this period. Shipments from Korea grew from 14,816 rods in 1972 to 318,446 rods in 1981. The share of total imports held by Korea advanced as a result from 4.9 per cent in 1972 to 34.0 per cent in 1981. Taiwan's share rose even more rapidly, from 4.4 per cent of total imports in 1972 to 46.2 per cent in 1981. In contrast, the share supplied by Japan fell from 52.5 to 7.2 per cent, and that by the United States declined from 35.6 to 11.0 per cent.

Between 1974 and 1981, imports from Korea expanded more rapidly, in percentage terms, than imports from Taiwan, a non-GPT country. Prior to 1974, in contrast, Taiwan's imports grew more rapidly. Apparently the introduction of the GPT in 1974 stimulated the growth of Korean imports.

The Canadian market for fishing rods increased in volume by some 63.1 per cent between 1972 and 1981. As would be expected from the earlier data, imports from Korea and Taiwan expanded much more rapidly than the total Canadian market, thus displacing not only other imports, but Canadian production as well. Imports as a percentage of the Canadian market nearly doubled between 1972 and 1981, to account for well over three-quarters of the market in 1981. Taiwan claimed more than one-third of the Canadian market by 1981, while Korea accounted for a slightly smaller share. Meanwhile, Canadian producers' share of the domestic market over this period decreased from more than one-half to less than one-fifth.

(1) Non-Confidential Submission by Direct Factory Sales Limited to the Tariff Board, June 28, 1982, page 2.

(2) Due to confidentiality only import data can be released here.

As a result of the increase in import penetration the largest domestic producer, Algonquin Fishing Tackle, ceased production. Moreover, one of the two remaining producers -- Major Rod -- experienced a severe erosion of its market position and a drastic drop in output. Instead of making rods this firm began to import them.

The petitioner, however, over this period more than doubled its overall volume of output and sales and substantially increased its share of the market. Employment meanwhile rose by 25 percent. Moreover, although a comparison between 1979, an exceptional year, and 1980, indicates a substantial drop in profits and the presence of considerable competitive pressure on prices, profitability expressed as a percentage of dollar sales was about the same in 1980 as in the mid-seventies.

Notwithstanding the overall growth in output and sales the petitioner lost ground in the domestic market for its tubular rods, largely as a result of import competition from Korea. However, tubular rods, in number, did not, at any time, exceed 15 per cent of the petitioner's total output of fishing rods. The petitioner has, evidently, compensated for the decline in tubular rod sales with higher production and sales of solid fishing rods. Major Rod also is currently producing primarily solid rods. From evidence submitted to the Board, competition for solid rods, although in part coming from Korean suppliers, originates primarily with Taiwanese manufacturers.

Competitive pressure on prices is in evidence for both the tubular and the solid rods. For example, prices of select Great Lakes tubular rods exceed prices of comparable imported rods by about 40 per cent and more. Korean and Canadian prices for solid rods also differ substantially and by more than the 14.8 percent margin of preference available to Korean suppliers under the GPT. In addition, Taiwan, not a beneficiary of the GPT, is already price competitive with Korean fishing rods, with the GPT at Free.

The price competitiveness of Korean rods is based upon several factors, in addition to preferential entry. Their labour cost component is much lower. While Canadian manufacturers import blanks, Korean manufacturers produce their own, thus benefiting from cost savings due to an integrated production process. In addition, Korean producers enjoy economies of large scale production. The largest Korean plant produces 2.4 million units annually, a volume far above the capacity or output of the Canadian petitioner.

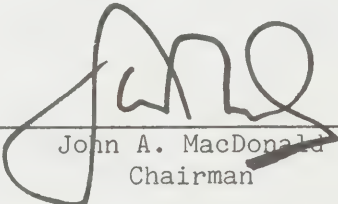
CONCLUSIONS AND RECOMMENDATION

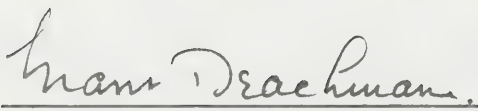
In conclusion the Board finds that the Canadian fishing rod manufacturing industry has been injured as a result of import competition. While the domestic market grew substantially, the output of the Canadian industry dropped sharply. One manufacturer, the largest, has ceased production, and the output of the other producer, other than the petitioner, has dropped drastically. It is evident that this injury is attributable to GPT imports from Korea, albeit in part only. Suppliers from Taiwan, a non-GPT country, were even more successful in expanding their share of the Canadian market.

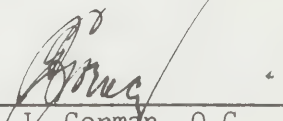
With respect to the petitioner, however, the Board finds for the period under review little evidence of actual injury. Overall, the firm expanded its position in the domestic market, increased production and employment, and maintained its level of pre-tax profits as a percentage of sales of fishing rods. At the same time, the evidence before the Board indicates that the petitioner is threatened with injury. In view of the export capacity existing in both Korea and Taiwan, and of the cost advantage enjoyed by suppliers in these two countries, the Board concludes that imports, which have already injured other domestic producers, are likely to cause injury to the petitioner as well.

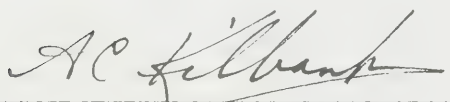
However, with respect to the effectiveness of the withdrawal sought by the petitioner, the Board concludes that such action is unlikely to provide significant relief to the petitioner. Present price differentials between the Korean and domestic fishing rods are so great that a withdrawal of the 14.8 p.c. margin of preference would still leave a substantial advantage to Korean suppliers. Above all, though, the requested safeguard action would effect a relative improvement in the competitive position of imports from Taiwan, a non-GPT country, which are posing an even greater threat to the petitioner than imports from Korea.

The Board, therefore, recommends that the request by Great Lakes Sporting Goods Limited to withdraw the GPT rate with respect to imports of fishing rods from the Republic of Korea under tariff item 44034-1 be not granted.

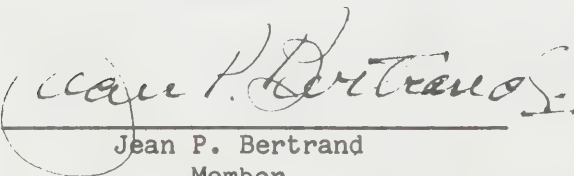

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Member


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Member


R.K. Matthie
Member

APPENDIX A

Attendance List

REFERENCE 158

Safeguard Petition No. 8

Public Hearing in Windsor, Ontario
on August 9, 1982
commencing at 10:00 a.m.

ATTENDANCE LIST

For the Tariff Board

Mr. G.J. Gorman, Q.C.	Hearing Officer
Mr. D. Kronick	Executive Assistant
Mr. R.C. Lefebvre	Assistant Secretary to the Tariff Board
Mr. W.L. Posthumus	Executive Director, Reference Branch
Dr. A.N. Polianski	Assistant Director
Dr. J.C. Claros	Case Economist

For the Petitioner

Great Lakes Sporting Goods Limited

Mr. L.G. Wait	President
Mr. R.G. Armstrong	Consultant Manager

For the Intervenants

Korea Trade Center, Toronto

Mr. H.B. Imm	Manager
Mr. L.N. Walsh	Senior Market Researcher

C.G. Emery International Ltd.

Mr. D. Emery	Vice President and General Manager
--------------	------------------------------------

Korean Plastic Goods Exporters'
Association

Mr. R.S. Gottlieb	Counsel
-------------------	---------

Observers

Berkley and Company (Canada) Ltd.

Mr. P. Fibelstad	Plant Manager
Mr. G. Carroll	Consultant

Sports Mitchell Canada Inc.

Mr. N.K. Livermore	Comptroller
Mr. G. Courage	Counsel

RENOVOI 158

Demande de mesures de sauvegarde n° 8

Audience publique tenue à Windsor (Ontario)

le 9 août 1982

à compter de 10 heures

LISTE DES PERSONNES PRÉSENTES

Pour la Commission du tarif

M. G.J. Gorman, c.r.

M. D. Kronick

M. R.C. Lefebvre

M. W.L. Posthumus

Dr A.N. Polianski

Dr J.C. Claros

Pour la demanderesse

Great Lakes Sporting Goods Limited

M. L.G. Wait

M. R.G. Armstrong

Président
Administrateur-conseil

Pour les intervenants

Centre coréen de commerce extérieur, Toronto

M. H.B. Imm

M. L.N. Walsh

Directeur

Responsable supérieur des études
de marchés

C.G. Emery International Ltd.
M. D. Emery

Vice-président et directeur général

Korean Plastic Goods Exporters'
Association
M. R.S. Gottlieb

Conseiller

Observateurs

Berkley and Company (Canada) Ltd.
M. P. Fibelstad
M. G. Carroll

Directeur d'usine
Conseiller

Sports Mitchell Canada Inc.
M. N.K. Livermore
M. G. Courage

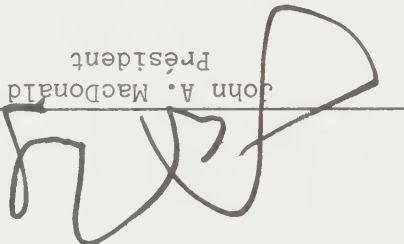
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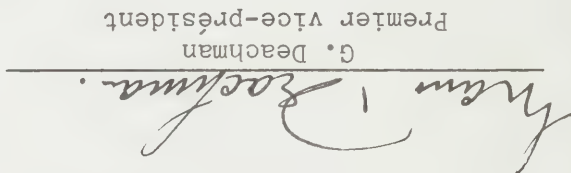
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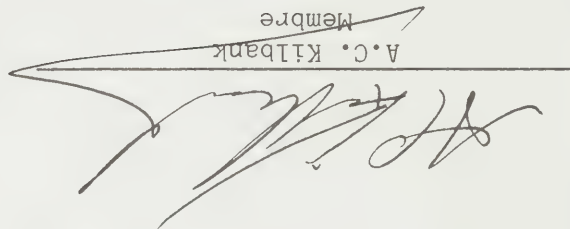
ANNEXE A

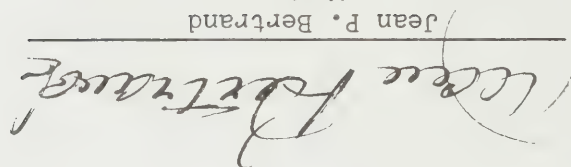
Quant à l'efficacité du retrait demandé par la demanderesse, la Commission est d'avis que cette mesure n'aura probablement pas les effets attendus. Les écarts actuels entre les prix des cannes à pêche coréennes et canadiennes sont tellement grands que le retrait de la marge de préférence de 14.8 p.c. permettra toujours aux fournisseurs coréens de conserver un avantage substantiel. En outre, les mesures de sauvegarde demandées auraient pour effet d'améliorer la position concurrentielle de Taiwan, pays ne bénéficiant pas d'avantages préférentiels, et d'ainsi créer une menace beaucoup plus grande pour la demanderesse que celle représentée par les importations de Corée.

La Commission recommande donc de rejeter la demande présentée par la société Great Lakes Sporting Goods Limited en vue d'obtenir le retrait des avantages du TPG consentis à l'égard des importations de cannes à pêche provenant de la République de Corée et importées en vertu du numéro tarifaire 44034-1.

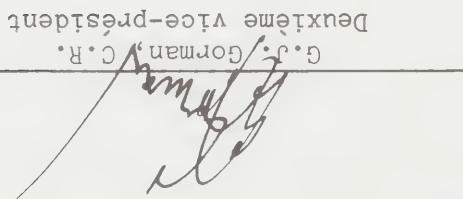

John A. MacDonald
Président

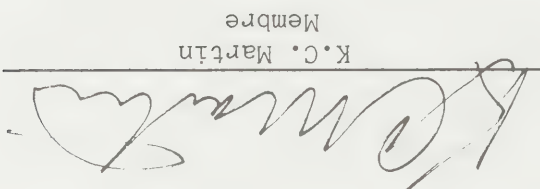

G. Deachman
Premier vice-président

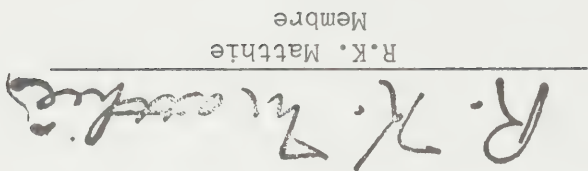

A.C. Kilbank
Membre


Jean P. Bertrand
Membre

Ottawa
Le 3 novembre 1982


G.J. Gorman, C.R.
Deuxième vice-président


K.C. Martin
Membre


R.K. Mathie
Membre

société Major Rod produit elle aussi principalement des cannes à pêche pleines. Selon les éléments de preuve présentés à la Commission, si les fournisseurs coréens sont en partie responsables de la concurrence qui existe sur le marché des cannes à pêche pleines, il reste que cette dernière découle d'abord de la présence des fabricants taiwanais.

La pression concurrentielle exercée sur les prix ressort à la fois dans le cas des cannes tubulaires et dans celui des cannes pleines. Par exemple, les prix des cannes tubulaires de choix fabriquées par Great Lakes sont supérieurs de 40 p.c. et plus aux prix de cannes comparables importées. Les prix des cannes coréennes et canadiennes diffèrent aussi substantiellement et leur écart est beaucoup plus grand que la marge de préférence de 14.8 p.c. consentie aux fournisseurs coréens en vertu du TPG. En outre, les prix des produits de Taiwan, pays qui ne bénéficie pas des avantages du TPG sont déjà concurrentiels par rapport à ceux des cannes à pêche coréennes, lesquelles sont importées en franchise des droits en vertu du TPG.

La compétitivité des prix des cannes coréennes découle de plusieurs facteurs, outre leur admission en vertu d'avantages préférentiels. D'abord, le coût de la main-d'oeuvre dans ce pays est beaucoup plus bas. Ensuite, les fabricants canadiens importent leurs ébauches de cannes alors que les fabricants coréens fabriquent leurs propres ébauches et réalisent ainsi des économies grâce à leur processus de production intégré. En outre, les producteurs coréens réalisent des économies grâce à leur production à grande échelle. La plus grande usine coréenne produit 2.4 millions d'articles par année, soit un volume largement supérieur à la capacité de production ou à la production effective de la demanderesse canadienne.

CONCLUSIONS ET RECOMMANDATION

En conclusion, la Commission considère que la concurrence des importations a causé un préjudice à l'industrie canadienne de fabrication de cannes à pêche. En effet, tandis que le marché intérieur s'est étendu substantiellement, la production de l'industrie canadienne a connu une forte baisse. Le plus important fabricant a cessé sa production et celle de l'autre producteur, outre la demanderesse, a diminué énormément. Il est évident que ce préjudice est imputable, bien qu'en partie seulement, aux importations TPG provenant de Corée. Les fournisseurs de Taiwan, pays ne bénéficiant pas d'avantages préférentiels, ont réussi avec plus de succès encore à accroître leur part du marché canadien.

Pour ce qui est de la demanderesse, la Commission trouve peu de preuve de préjudice réel en ce qui concerne la période visée. Dans l'ensemble, l'entreprise a accru sa part du marché intérieur, a augmenté sa production et son personnel et a maintenu son niveau de profits avant imposition, en termes de pourcentage des ventes de cannes à pêche. Les éléments de preuve présentés à la Commission indiquent cependant que la demanderesse est quand même menacée de préjudice. Compte tenu de la capacité d'exportation de la Corée et de Taiwan ainsi que des avantages financiers dont jouissent les fournisseurs de ces deux pays, la Commission conclut que les importations qui ont déjà causé un préjudice à d'autres producteurs nationaux, sont aussi susceptibles de causer un préjudice à la demanderesse.

Malgré l'augmentation d'ensemble de sa production et de ses ventes, la demanderesse a perdu du terrain sur le marché intérieur des cannes à pêche tubulaires, en raison surtout de la concurrence des importations de Corée. Le nombre de cannes tubulaires n'a toutefois jamais dépassé 15 p.c. de la production totale de cannes à pêche de la demanderesse. Cette dernière a évidemment compensé la chute des ventes de cannes à pêche tubulaires en augmentant sa production et ses ventes de cannes à pêche pleines. A l'heure actuelle, la

La demanderesse a cependant doublé son volume de production et de ventes au cours de cette période et a sensiblement augmenté sa part du marché. Ses effectifs ont alors augmenté de 25 p.c. En outre, même si une comparaison entre 1979 (année exceptionnelle) et 1980 indique une baisse substantielle des profits et révèle l'existence d'une importante pression concurrentielle sur les prix, la rentabilité, exprimée en termes de pourcentage du montant des ventes, était cependant à peu près la même en 1980 qu'au milieu des années 1970.

Par suite de cette pénétration accrue du marché par les importations, le plus grand producteur national, Algonquin Fishing Tackle, a cessé sa production. En outre, l'un des deux autres producteurs (Major Rod) a vu sa part du marché s'effriter graduellement et a connu une forte baisse de production. Plutôt que de poursuivre la fabrication de cannes à pêche, cette entreprise a commencé à en importer.

L'ensemble du marché canadien des cannes à pêche s'est accru de quelque 63.1 p.c. entre 1972 et 1980. Comme le montrent les données précédentes, les importations de Corée et de Taiwan ont augmenté beaucoup plus rapidement que l'ensemble du marché canadien. Elles ont donc non seulement pris la place des autres importations mais aussi celle de la production canadienne. Ces importations, en termes de pourcentage du marché canadien, ont presque doublé entre 1972 et 1981 et leur proportion dépassait largement les trois quart du marché en 1981. Taiwan occupait plus du tiers du marché canadien jusqu'en 1981, tandis que la Corée en détenait une part légèrement inférieure. Pendant cette même période, la part du marché intérieur détenue par des producteurs canadiens, qui était de plus de la moitié, est tombée à moins du cinquième.

Entre 1974 et 1981, les importations de Corée se sont accrues plus rapidement, en termes de pourcentage, que celles de Taiwan, pays ne bénéficiant pas des avantages du TFG. Avant 1974, le nombre des importations en provenance de Taiwan s'accroissait pourtant de façon plus rapide. Il semble que l'introduction du TFG en 1974 ait favorisé l'augmentation des importations de Corée.

à 318,446 en 1981. La part du marché occupée par l'ensemble des importations de Corée est donc passée de 4.9 p.c. en 1972 à 34.0 p.c. en 1981. Le pourcentage du marché détenu par Taiwan s'est accru encore plus rapidement et a fait un bond de 4.4 p.c. en 1972 à 46.2 p.c. en 1981. Par contre, la part du marché occupée par les importations japonaises a chute de 52.5 p.c. à 7.2 p.c. et celle des importations américaines a baissé de 35.6 p.c. à 11.0 p.c.

(ii) Même sans le retrait des avantages du TPG, les cannes à pêche coréennes admises en franchise des droits ont déjà perdu une part du marché au profit des importations de cannes à pêche provenant de Taiwan. Par conséquent, le retrait des avantages consentis à l'égard des cannes à pêche de Corée ne fera, selon toute vraisemblance, que favoriser la poursuite du remplacement graduel des cannes à pêche coréennes par les importations de Taiwan, dont les prix sont aussi bas et compétitifs, et ne profitera que très peu aux producteurs canadiens.

(iii) Les cannes à pêche tubulaires produites au Canada ne sont déjà pas compétitives, en termes de prix et de qualité, par comparaison aux importations de Corée et de Taiwan.

Par conséquent, "Nous ne pouvons voir comment l'augmentation des droits pourrait aider les assembleurs canadiens de cannes à pêche. À notre avis, cette mesure ne servirait qu'à amener la majorité des acheteurs à importer davantage de cannes à pêche de Taiwan".(1)

La société Sports Mitchell Canada Inc., importateur de cannes à pêche, soutient qu'il ne devrait y avoir aucune "discrimination" dans le traitement tarifaire applicable aux produits de différents pays. Ainsi, la Corée devrait être assujettie au même taux tarifaire NPF que Taiwan et devrait, par conséquent, se voir retirer les avantages du TPG.

La société Major Rod Manufacturing appuie la demande de Great Lakes relative au retrait des avantages du TPG consentis à l'égard des cannes à pêche importées de Corée. La société souligne que quelques-uns de ses plus gros clients achètent, depuis quelques années, la plupart de leurs cannes à pêche tubulaires de Corée. Cette décision a entraîné une diminution du volume de ventes de Major Rod et une réduction sensible de son personnel. La société a réussi à survivre en fabriquant des cannes en fibre de verre pleines jusqu'en 1982, année où elle a commencé à produire de nouveaux types de cannes tubulaires. Le retrait des avantages préférentiels consentis à la Corée pourrait aider Major Rod à prendre de l'expansion et à atteindre le volume de production nécessaire pour pouvoir fabriquer ses propres ébauches de cannes à pêche et ainsi pouvoir profiter des avantages d'un processus de production intégré.

ANALYSE(2)

Le total des importations de cannes à pêche a triplé entre 1972 et 1980 pour passer de 304,488 à 935,729 cannes. Les importations de Corée et de Taiwan sont responsables de l'ensemble de cette augmentation et leur nombre a largement remplacé les importations du Japon et des États-Unis au cours de cette période. Les expéditions de Corée sont passées de 14,816 cannes en 1972

- (1) Présentation non confidentielle de Direct Factory Sales Limited soumise à la Commission du tarif, 28 juin 1982, page 2.
- (2) Étant donné leur caractère confidentiel, seules les données relatives aux importations peuvent être divulguées dans le présent document.

La demande s'applique uniquement aux cannes à pêche visées par ce numéro tarifaire et à aucune autre marchandise admise en vertu de ce numéro.

L'écart entre les taux de droits TPG et NPF, c'est-à-dire la marge de préférence que la demanderesse désire voir retirée, s'élève présentement à 14.8 p.c. D'ici 1987, cette marge de préférence sera réduite à 10.2 p.c. conformément à l'entente intervenue au cours de la ronde de Négociations commerciales multilatérales de Tokyo, au sujet de la réduction graduelle des tarifs.

Les cannes à pêche sont fabriquées à partir d'ébauches de cannes à armature en fibre de verre, pleine ou creuse. Ces ébauches sont peintes, des guides y sont ajoutés puis elles sont recouvertes de ruban à motifs décoratifs. Les poignées sont moulées et fixées aux cannes puis des bouchons sont taillés et glissés dans les poignées. Ces dernières peuvent ensuite être perforées de façon à s'adapter à diverses pinces à moulinets.

DEMANDERESSE

La société Great Lakes Sporting Goods Limited exploite son entreprise à Windsor (Ontario) depuis sa constitution en 1947. Cette société produit toute une gamme de cannes à pêche, autres que les cannes à pêche "téléscopiques", à son usine de Windsor (Ontario). Les ébauches de cannes à pêche qu'elle utilise proviennent en grande partie des Etats-Unis et sont importées en franchise des droits en vertu du numéro tarifaire 93907-7, lequel se fonde sur l'utilisation.

Les installations de la société permettent de produire chaque année environ un demi-million de cannes à pêche pleines et tubulaires. L'entreprise emploie 17 personnes sur une base permanente et compte en outre 15 à 20 employés occasionnels à l'hiver, au cours de la plus grosse période de production.

INTERVENTIONS

Conformément à la procédure établie, la Commission a rendu publique la réception de la demande. Il y eut par la suite six interventions relatives à la demande. Quatre d'entre elles s'y opposent alors que les deux autres l'appuient de façon directe ou indirecte.

Les principaux points soulevés par les quatre intervenants qui s'opposent à la demande sont les suivants:

(1)

L'imposition d'un taux NPF de 14.8 p.c. sur les cannes à pêche coréennes n'aura pas ou aura peu d'effets favorables sur les affaires de Great Lakes et ne suffira pas à rendre cette société plus compétitive, étant donné la grande différence de prix entre les cannes à pêche de Corée et de Taiwan et celles fabriquées par Great Lakes. En outre, cette dernière ne pourra bénéficier beaucoup du retrait des avantages du TPG consentis à l'égard des cannes à pêche provenant de Corée, puisque cette mesure ne modifiera pas le taux NPF consenti à l'égard des importations de cannes à pêche de Taiwan.

1) Les facteurs en cause sont ceux dont on se sert habituellement dans les analyses économiques dans les domaines de la production, de l'emploi et des ventes.

ENQUÊTE ET AUDIENCE PUBLIQUE

En janvier 1982, la demanderesse, Great Lakes Sporting Goods Limited (Great Lakes), a prévenu la Commission de son intention de demander des mesures de sauvegarde. Lorsque l'ensemble des données statistiques et des autres renseignements nécessaires furent réunis, Great Lakes a officiellement inscrit sa cause en avril 1982. La Commission a étudié la documentation soumise, puis a confirmé l'existence d'un préjudice prima facie le 25 mai 1982. Elle a ensuite ordonné la tenue d'une enquête publique.

Ces renseignements ainsi qu'un avis d'audience publique concernant la demande et devant avoir lieu le 9 août 1982 à Windsor (Ontario) ont été publiés dans la Gazette du Canada du 5 juin 1982. La Commission a en outre envoyé des avis d'audience à tous les pays TFG concernés, aux importateurs et aux autres parties intéressées par cette demande et par son résultat. Ces envois d'avis ont donné lieu à plusieurs interventions officielles, lesquelles sont décrites plus loin dans le présent document.

L'audience publique s'est tenue à la date prévue. Une liste des personnes présentes figure à l'Annexe A. Il est possible, moyennant paiement, de se procurer la transcription des témoignages entendus au cours de l'audience publique, en s'adressant aux services de transcription.

MARCHANDISES EN CAUSE

La demande vise les cannes à pêche décrites dans le Code des marchandises 832-84-30 et admises en vertu du numéro tarifaire 44034-1. Ce dernier est d'ailleurs libellé comme suit :

Número tarif-	Description
Tarif de pré-Tarif	nique
Tarif de la nation la plus	britan-
Tarif de Favorisée	
Tarif général	
Tarif de pré-général	
R.U. et Irlande	

Chaluts, culliers de pêche, mouchoes, hame-
çons, plombs, émeril-
lons, appâts, mouli-
nets, cannes à pêche,
et engins de pêche,
..... n.p.

Au 01/01/82
Au 01/01/87

Au 01/01/87

(1) Accord relatif à l'interprétation et à l'application des articles VI, XVI et XXIII de l'Accord général sur les tarifs douaniers et le commerce, Genève, le 12 avril 1979, Partie I, Article 2, paragraphe 1 et renvoi.

PORTANT SUR LE TARIF DE PRÉFÉRENCE GÉNÉRAL

DEMANDE DE MESURES DE SAUVEGARDE DE LA
SOCIÉTÉ GREAT LAKES SPORTING GOODS LIMITED

- DEMANDE DE MESURES DE SAUVEGARDE N° 8 -

INTRODUCTION

Le présent rapport de la Commission du tarif porte sur le Renvoi 158 ayant trait au tarif de préférence général (TPG) et vise la demande de mesures de sauvegarde présentée par la société Great Lakes Sporting Goods Limited de Windsor (Ontario), au sujet des importations de cannes à pêche admises en vertu du numéro tarifaire 44034-1 et provenant d'un pays bénéficiant du TPG, soit la République de Corée. La demanderesse a prétendu que ces importations avaient causé et menaçaient de causer un préjudice à l'exploitation de ses installations de production de cannes à pêche de Windsor (Ontario) et a demandé à la Commission de retirer les avantages préférentiels consentis à l'égard de ces importations pour au moins deux ans.

Les attributions de la Commission relatives à l'audition de la présente demande sont précisées dans la lettre du ministre des Finances datée du 24 juillet 1980, laquelle se lit en partie comme suit:

"Je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite d'application du Tarif de préférence général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée.

Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations aux taux réduits en vertu du TPG. A mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG à l'égard du produit ou des produits en question permettrait en fait de soulager les producteurs canadiens.

Les définitions du GATT auxquelles se réfère le Ministre sont à la base de l'enquête et se lisent ainsi: "Le terme 'préjudice' s'entendra, sauf indication contraire, d'un préjudice ... causé à une branche de production nationale, d'un préjudice ... pour une branche de production nationale ou de retard ... dans la création d'une branche de production

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Dr A.N. Polianski, directeur adjoint

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AUTRES PARTICIPANTS À CETTE ENQUÊTE

G.R. Grant

Ottawa

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DEMANDE DE MESURES DE SAUVEGARDE
DE GREAT LAKES SPORTING GOODS LIMITED
— DEMANDE DE MESURES DE SAUVEGARDE N° 8 —
ETUDE ET RECOMMANDATION

La Commission, ayant pris connaissance du rapport du Président de l'enquête, Monsieur G. J. Gorman, c.r., et de la preuve documentaire présentée au soutien de cette demande, soumet dans le présent rapport ses conclusions et sa recommandation conformément à la lettre de renvoi du ministre des Finances.

LA COMMISSION DU TRAVAIL
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REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION
BY FIRESTONE CANADA INC.,
GOODYEAR CANADA INC. AND TRENT
RUBBER SERVICES (1978) LIMITED
— SAFEGUARD PETITION NO. 10 —
REVIEW AND RECOMMENDATIONS

REFERENCE
158

A REPORT BY
THE TARIFF BOARD

REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

**PETITION FOR SAFEGUARD ACTION
BY FIRESTONE CANADA INC.,
GOODYEAR CANADA INC., AND TRENT
RUBBER SERVICES (1978) LIMITED
— SAFEGUARD PETITION NO. 10 —
REVIEW AND RECOMMENDATIONS**

The Board, having considered the report of its Hearing Officer, Mr. R.K. Matthie, and other material evidence with respect to this petition, submits its conclusions and recommendations in this report, pursuant to the reference by the Minister of Finance.

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REFERENCE 158
RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION
BY FIRESTONE CANADA INC., GOODYEAR CANADA INC.,
AND TRENT RUBBER SERVICES (1978) LIMITED
- SAFEGUARD PETITION NO. 10 -

The Board, having before it the report of its Hearing Officer and the results of the related staff's inquiries, reports as follows.

INTRODUCTION

This report of the Tariff Board is made pursuant to Reference 158 relating to the General Preferential Tariff (GPT), and concerns the petition for safeguard action by Firestone Canada Inc., Hamilton, Ontario, Goodyear Canada Inc., Islington, Ontario, and Trent Rubber Services (1978) Limited, Lindsay, Ontario, with respect to imports of pneumatic inner tubes for use in highway, industrial, agricultural and off-highway service, under tariff item 61815-1, from the Republic of Korea. The petitioners have submitted that these importations have risen rapidly and damaged their tube producing operations through the volume of imports and price competition, and have petitioned the Board for a withdrawal of the preferential benefit from such imports.

The Board's terms of reference for the hearing of this petition are outlined in the letter of July 24, 1980, from the Minister of Finance, which states in part:

"I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury.

If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic

factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers."

See Appendix A for the full text of the Minister's letter.

The GATT definitions, referred to by the Minister, which serve as the framework for the inquiry, are as follows: "The term 'injury' shall, unless otherwise specified, be taken to mean ... injury to a domestic industry, threat of ... injury to a domestic industry or ... retardation of the establishment of such an industry ...",⁽¹⁾ and the factors involved, such as production, employment and sales, are those used in standard economic analyses.

THE PROCESS OF INQUIRY AND THE PUBLIC HEARING

The petitioners, Firestone Canada Inc., (Firestone), Goodyear Canada Inc., (Goodyear), and Trent Rubber Services (1978) Limited, (Trent), initially contacted the Board's staff in early 1982 concerning a prospective petition for safeguard action against imports of pneumatic inner tubes from the Republic of Korea (Korea). Subsequently, a petition was received in September, 1982 from The Rubber Association of Canada (TRAC) on behalf of Firestone, Goodyear, and Trent. Throughout 1982, however, the petition was held in abeyance pending dumping investigations pursuant to the Anti-dumping Act. The Anti-dumping Tribunal ruled on the issue of dumping on April 21, 1983. With that process completed, the petition was re-submitted on March 1, 1984. The Board reviewed the submission and determined on March 26, 1984, that a prima facie case of injury existed⁽²⁾ and ordered a full public enquiry to commence.

(1) Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade, Geneva, 12th April, 1979, Part I, Article 2, paragraph 1 and footnote.

(2) On this date the six months' period commenced within which the Board must submit its report to the Minister of Finance.

This prima facie finding was published in the Canada Gazette of April 7, 1984, together with a notice that a public hearing of the petition would be held on June 13, 1984, in Ottawa, Ontario. The Board also sent notices of the public hearing to the GPT country involved, Korea in the present instance, and to importers and other parties interested in the petition and its outcome. As a result of these notifications, formal interventions as described later reached the Board in due course.

The public hearing was duly held on the appointed day. A list of those in attendance appears in Appendix B. A transcript of the proceedings of the public hearing is available at cost from the transcription service.

THE GOODS AT ISSUE

The petition covers inner tubes of rubber as described in CITC 625-29, entering under tariff item 61815-1. The tariff item details are given below.

<u>Tariff Item</u>	<u>Description of Goods</u>	<u>British Preferential Tariff</u>	<u>Most-Favoured-Nation Tariff</u>	<u>General Tariff</u>	<u>General Preferential Tariff</u>	<u>U.K. and Ireland</u>
61815-1	Tires and tubes, wholly or in part of rubber					
	As of 1/1/84	12.9 p.c.	12.9 p.c.	35 p.c.	8.5 p.c.	12.9 p.c.
	As of 1/1/87	10.2 p.c.	10.2 p.c.	35 p.c.	6.5 p.c.	10.2 p.c.

The petition concerns essentially all tubes properly classified under this tariff item, with the exception of bicycle tubes. Tires are also excluded. Tubes, such as those for aircraft, motorcycles, farm implements and agricultural machinery, and tractors when such tractors are for farm use only, are covered by other tariff items not pertinent to the petition. Furthermore, the petition covers tubes imported from Korea for both the original equipment and replacement markets.

The differential between the GPT and MFN rates of duty, the margin of preference which the petitioner requests be withdrawn, amounts currently to 4.4 percentage points. By 1987, this margin of preference will diminish to 3.7 percentage points, reflecting the gradual MFN tariff reductions agreed upon at the Tokyo Round of Multilateral Trade Negotiations.

The GPT rate in question is determined by a formula which states that the GPT shall be equal to the BP rate, or to two-thirds of the MFN rate after downward adjustments for decimals, whichever is the lesser. Hence, as mentioned above, the GPT rate will be reduced as the MFN rate declines as scheduled. The GPT is not subject to negotiations being a unilateral extension by Canada of preferential rates of duty to selected less developed countries. The GPT was introduced in 1974 for a ten-year period, and has recently been extended for another ten years until 1994.

THE PETITIONERS

There are three petitioners, Firestone Canada Inc., Goodyear Canada Inc., and Trent Rubber Services (1978) Limited, whose briefs were submitted on their behalf to the Board by The Rubber Association of Canada.

The Rubber Association of Canada was formed in 1920 and, today, located in Mississauga, Ontario, comprises 16 members producing rubber products including all eight Canadian manufacturers of tires and/or tubes. In addition, there are 25 affiliate members, and four representatives of foreign tire manufacturers.

Firestone Canada Inc., Hamilton, Ontario, is a subsidiary of Firestone Tire & Rubber Co., Akron, Ohio, U.S.A. Production of inner tubes was discontinued in Hamilton in 1983, and the product is now imported from the United States. Firestone was an active producer when the petition was originally submitted, and so was included in the petition when it was called forth after the completion of the anti-dumping inquiry. The company continues to support the petition for safeguard action.

Goodyear Canada Inc., Islington, Ontario, a subsidiary of The Goodyear Tire & Rubber Co., Akron, Ohio, U.S.A., was incorporated in Canada in 1927. Inner tubes are produced at a plant located in Toronto, Ontario.

Trent Rubber Services (1978) Limited, a private, Canadian-owned company, is situated in Lindsay, Ontario. Production of the subject goods commenced in 1970 and, today, the firm is the major domestic manufacturer of inner tubes for the Canadian market. In recent years, a small, but increasing, portion of output has been exported.

The two remaining companies, Goodyear and Trent, now form the tube manufacturing industry in Canada.

During the public hearing, it was asserted by the petitioners -- in particular by Trent -- that profit margins have been narrowed in recent years due to a downward pressure exerted on prices, coupled with a substantial increase in raw material costs. In the words of Mr. David Hay, President of Trent: "I attribute it (the effect on prices) entirely to the South Korean dumped price, which has been proven, and they (Korean prices) have not changed a nickel in a year, despite another increase in raw materials worldwide. So, our prices, in effect, are down over a four year period when they should have been up. Our profit margin on the tubes in question here is essentially zero and the granting of this petition would be a very significant improvement to us. And we are pretty well dependent on tubes alone".⁽¹⁾

In addition, Trent contended that it is the sizes of tubes marketed in large volume, which are also the most price sensitive, that have been the particular target of Korean imports. The tubes handled in large volume are the smaller, lighter types. As Mr. Hay expressed it: "... the heavier the tube is in terms of its weight, the less likely the (Korean suppliers) are to be low-priced because the labour content versus the material content changes

⁽¹⁾ Transcript, p. 80.

considerably in heavier tubes".⁽¹⁾ On the large volume, lighter tubes, the average return on sales over the past four years has declined in the order of "... 5-7 per cent ..." while on some (low volume) sizes the return may have risen by "... 1 or 2 per cent ...", according to Mr. Hay's public testimony.⁽²⁾

On the subject of the marginal increase in the rate of duty which would result if the GPT was withdrawn, Mr. Hay stated that the additional duty of "... 4 to 5 per cent ..." would bring the firm from a position "... of essentially no profit to ... a profit level that would allow us at least to sustain and continue to make progress on productivity gains".⁽³⁾ It was conceded that perhaps the Korean exporters would absorb the additional duty cost but this was not considered a likely occurrence. In the words of Mr. Hay, "... they (the Korean suppliers), too, are not making any money on this product at the present time".⁽⁴⁾

Goodyear, for whom the production of tubes is an important adjunct to their main manufacturing operations, was in agreement at the hearing with the arguments advanced by Trent. As Mr. Spalding, Goodyear's spokesman, put it: "... the pricing structure that we have been forced to work under (as a result of Korean imports) has caused certain hardships on ourselves and certainly affected our profit level ...".⁽⁵⁾

Firestone transferred in July, 1983, its production of tubes from Canada to its parent plant in the U.S. This was in line with the company's policy on plant rationalization as activities in Canada were adversely affected by prevailing economic conditions, to which rising imports from Korea contributed. That is, while in operation in Canada, Firestone was subject to

(1) Transcript, p. 79.

(2) Transcript, p. 79.

(3) Transcript, p. 87.

(4) Transcript, p. 88.

(5) Transcript, p. 81.

the same adverse impact through pricing of Korean imports as the two remaining Canadian manufacturers of tubes, Goodyear and Trent.⁽¹⁾ Firestone continues to support the petition as attested by its participation in the inquiry.

INTERVENTIONS

Following the established inquiry process, the Board made public the receipt of the petition. As a result, the petition attracted interventions from the Automotive Parts Manufacturers' Association of Canada (APMA), the Korea Tire Industrial Association and Korean tire tube manufacturers (the Korean brief), and Canada Tire Company. APMA, located in Toronto, Ontario, supported the petition for safeguard action, describing Korea's automotive industry as being "... in a very advanced state of efficiency and modernity, not only in the automotive parts sector including tire tubes but in the vehicle sector as well ..." Accordingly, the APMA "... strongly recommended that action be taken ..." to withdraw the benefit of the GPT from Korea on tire tubes imported under tariff item 61815-1.⁽²⁾

The crux of the opposition to the safeguard petition is found in the the Korean brief. The brief was submitted by Mr. David A. Gantz, a Washington, D.C., attorney, who also acted as counsel at the public hearing. The Korean brief, which was directed primarily towards Trent, relied to a considerable extent on the proceedings before the Anti-dumping Tribunal in early 1983 at which time the Tribunal ruled that, notwithstanding a preliminary finding by the Department of National Revenue, Customs and Excise, of dumping of tire tubes from Korea, the dumping was not causing material injury to the production in Canada of like goods. The Korean brief concluded that the domestic industry, today, is still not being injured by tube imports from Korea. Nor would the removal of the lower GPT rate of duty provide significant relief from any injury, if such injury was found to have occurred or was likely to occur.

(1) Transcript, pp. 7, 8, 31, 57.

(2) APMA, Public Brief.

Canada Tire Company, Montreal, Quebec, an independent tire dealer selling both imported and domestic tubes, also opposed the petition for safeguard action.

IMPORTS OF INNER TUBES

Total imports comprise shipments entering under the GPT, i.e., those from Korea, and tubes imported from other countries under the MFN and BP tariffs. Imports were broken down for present purposes into tubes for tires for passenger cars, for truck and bus tires, and for tires for construction machinery. Tubes for farm machinery and farm tractor tires, and for motorcycle and for airplane tires, are excluded because they are not covered by the petition, or are classified under tariff items other than 61815-1.

GPT import data were obtained for the period under review, i.e., 1981, 1982, 1983 and the first quarter of 1984, by a search of the actual import documentation by the Board. Import documentation was examined for imports under commodity class 625-29-90, "Tubes, inner, nes", for the purpose of determining non-GPT imports. This information was then further augmented by data published by Statistics Canada. As a result GPT and non-GPT imports of inner tubes by type were determined as follows:

- 625-29-20 - Tubes, inner, passenger automobile tire
- 625-29-30 - Tubes, inner, truck & bus tire
- 625-29-70 - Tubes, inner, construction machinery tire

Such documentation is not publicly available for analysis. Published data, used in non-confidential briefs submitted to the Board, do not reflect the details with which the Board augmented, in its inquiry, information otherwise open to perusal. The differences, however, do not affect the main tenor of the analysis.

Production, sales and similar data submitted in confidence to the Board by the petitioners cannot be segregated without breaching confidentiality. Thus, this information cannot be presented here. As a result, the discussion which follows was cast in qualitative rather than quantitative terms.

TOTAL AND NON-GPT IMPORTS

A total of 783,156 inner tubes were imported into Canada in 1981. The following year, these imports fell to 652,690 units to rise, however, to 892,240 units in 1983. Non-GPT imports under the BP and MFN tariffs represented the main portion of Canadian imports of tubes from all sources in 1981 and in 1983, having dropped to account for about three-quarters of foreign shipments in 1982.

During the first three months of 1984, the volume of total imports of relevant inner tubes climbed by 107.6 per cent compared with imports during the same period in 1983. Non-GPT imports in the January-March period of 1984 were up 87.9 per cent over the corresponding period in the previous year. Non-GPT sources, accounted for the main portion of total tube imports during that period.

Shipments from non-GPT countries include imports by Canadian producers of sizes not made by them in Canada, and also goods destined to supplement domestic production to meet customer demand,⁽¹⁾ as well as direct use by the Canadian subsidiaries of multinational tire manufacturers.

GPT IMPORTS

Only Korea has so far exported inner tubes to Canada under the GPT. Such imports were negligible prior to 1980. In 1981, imports from that country achieved a manifold increase, and rose by a further 76.6 per cent

(1) Transcript, pp. 28-29.

in 1982. During the course of 1983, the volume of Korean tubes imported into Canada declined from the previous year's total by 35.5 per cent to 98,017. In that year, the dumping investigation by the Anti-dumping Tribunal was in progress and a temporary surtax was in place as a result.

For the first quarter of 1984, however, imports from Korea of the tubes at issue rose to 70,340 units. While this total was 362.7 per cent higher than for the first three months of 1983, the low year, it was 11,821 units less than the total imported during the January-March period in 1982, the peak year for imports from Korea, but about four-and-a-half times the average for the first quarter for 1981 and 1983.

Data on GPT imports by type of inner tube reveal that tubes for passenger car tires accounted for the bulk of the total number of Korean tube shipments to Canada in 1981, and that tubes for trucks and buses made up most of the remaining imports from Korea. The number of tubes for tires for construction machinery and equipment accounted for less than one per cent of total Korean shipments to Canada in that year. By 1983, however, Korean shipments of tubes for trucks and buses had risen more than two-and-a-half fold, and were more than twice the volume of tubes for passenger cars imported from Korea in that year, accounting for over two-thirds of such imports. Shipments of both passenger car and construction machinery tubes, here termed industrial, were in 1983 well below their 1981 levels. This predominance of tubes for truck and bus tires in imports from Korea appears to have continued into 1984. It should be noted that the growth in Korean shipments to Canada of truck and bus tubes was largely attributable to the small and medium sizes, i.e., those less than 22 inches.

GPT tube imports grew more rapidly than imports of tubes from all sources until 1982, when they accounted for 23.2 per cent. In 1983, when total imports increased due to the termination of tube manufacturing in Canada by Firestone, and when imports from Korea dropped, the latter's share diminished to 10.9 per cent. During the first three months of 1984, however, the volume supplied by Korean exporters, as a proportion of all imports, rose to 16.0 per cent. That share was less than the level of 27.8 per cent reached

during the first quarter of the peak year of 1982. However, the proportion attained by shipments of tubes from Korea was about double the level for the first quarter of 1981 and 1983.

The share of imports from Korea as a percentage of total Canadian tube imports has risen most for the truck and bus category. By 1983, such tubes of Korean origin accounted for the major portion of comparable imports from all countries. Shipments of passenger car and of industrial tubes slipped somewhat in importance by that year in comparison with 1981. However, in the rapidly expanding imports for the first quarter of 1984, passenger car as well as tubes for industrial uses regained some of the ground lost earlier.

MARKETING, PRICES AND THE IMPACT OF KOREAN IMPORTS

Firestone and Goodyear sell tires as well as tubes. Goodyear sells those of its own production which are supplemented by imports from its U.S. parent as the market situation demands. Firestone, after ceasing production in Canada, sells only tubes imported from its U.S. parent. The two U.S. subsidiaries market their tubes almost exclusively through their nationwide network of tire outlets which handle their brand of tubes only. However, their tubes are also offered to independent dealers who carry other brands as well, including imports.

In contrast, while Trent manufactures and markets tubes, the company does not possess a tied-in brand distributing network but relies on marketing through private brand tire dealers, national retailing chains, wholesaling companies, and service stations. Wholesalers, e.g., Pilote Marketing, service independent dealers with Trent tubes but also handle tubes from other manufacturers as well as imports. Imports, particularly from Korea, compete at the level of those dealers who are not tied into the distribution network of producers, in effect the non-brand market.

The competition turns predominantly on prices. Quality differentials appear to play a lesser role, although they are alleged to exist.⁽¹⁾

(1) Transcript, pp. 32-41.

Korean invoice import prices have not changed much between 1981 and 1983, as the Board's analysis of confidential import documents shows. In contrast, as world raw material costs advanced rapidly, Canadian producers had to raise their wholesale prices because production costs increased. Even after mark-downs, however, a significant disadvantage remained vis-à-vis Korean imports, given that Korean prices have remained relatively stable. Confidential information also indicates that average unit production costs of Canadian producers rose faster than average wholesale prices after mark-downs, so that average returns per tube to Canadian manufacturers declined. Profits were reduced to a low by 1983, though some improvement is expected for 1984 and 1985. In the case of Trent, exports contribute in part to that outlook.

THE DOMESTIC MARKET, CANADIAN DOMESTIC SALES AND IMPORT COMPETITION

The Canadian market⁽¹⁾ for inner tubes of the types under review declined by 27.5 per cent in 1983 from the comparable total for 1981. This reduction reflects such factors as the long-term trend away from the use of tubes with the advent and the increasing use of tubeless tires, and the recent economic recession. These factors have affected both the original equipment and the replacement markets for pneumatic inner tubes.

Sales in the domestic market⁽²⁾ of tubes produced in Canada by Canadian manufacturers of inner tubes have decreased by 43.6 per cent between 1981 and 1983, or at a rate approximately one-and-a-half times as rapid as that by which the domestic market was reduced during those years. Imports from Korea advanced rapidly during the period under analysis while the market

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- (1) Estimated from data available to the Board, consisting of production net of exports and imports. Inventories are not taken into account, as production in the present instance is mainly against orders.
- (2) Sales in the domestic market, in the absence of inventories, equal here to production by Canadian manufacturers of tubes, less exports.

declined. In volume terms, however, they only accounted on average for 4.7 per cent of the total market between 1981 and 1983, and were equivalent to 7.0 per cent of Canadian production for the domestic market. Non-GPT imports contribute most to the overall penetration of the Canadian market by supplies from abroad because of their volume. As mentioned earlier, however, a portion of such imports consists of tubes of sizes which are not made domestically and/or tubes sourced abroad to supplement domestic production to meet consumer demand, brought into Canada by Canadian subsidiaries of multinational firms.

As a result of increased imports, the share of the Canadian market held by domestic producers dropped from 72.0 per cent in 1981 to 56.0 per cent by 1983. The rising imports added to the adverse impact of the declining market and contributed to reductions in domestic output, employment, investment and the rate of capacity utilization by the industry. Profitability was adversely affected, particularly by attempts at matching low Korean prices in the face of rising production costs.

Sales in Canada of domestically produced truck and bus tubes, the largest segment of the domestic market for inner tubes, declined by 58.4 per cent, while the Canadian market for truck and bus tubes was reduced by 32.4 per cent. The more pronounced decline in sales from domestic production is attributable to increased imports. Shipments of such tubes from Korea rose approximately four-fold in 1982. Although they were subsequently cut back, the volume retained in 1983 was still 186.3 per cent above the total brought into Canada from Korea in 1981. In contrast, non-GPT imports weakened in 1982, but resumed growth by 1983 when the volume of truck and bus tubes brought in from non-GPT countries rose to a level 51.7 per cent higher than in 1981.

As a result of increased imports, the share held by Canadian producers in the market for truck and bus tubes was reduced from 79.0 per cent in 1981 to 49.8 per cent by 1983. Korean imports have shown the greatest penetration, as well as the most pronounced increase in penetration, as compared with other segments of the domestic market.

In the case of passenger car tubes, the next largest volume segment of the market, sales in the domestic market of tubes from Canadian production was affected least of all. They declined by 19.3 per cent, approximately the same as the reduction of 21.3 per cent the market for such tubes had experienced, during those years. Shipments from Korea of such tubes were reduced by 1983 to a level 50.1 per cent lower than in 1981. Non-GPT shipments, also continuing along a downward trend, dropped by 22.0 per cent between 1981 and 1983. As a result, the share held by domestic manufacturers remained about the same, going from 63.6 per cent to 65.9 per cent between 1981 and 1983.

The volume of sales in the Canadian market declined most, by 76.1 per cent, for industrial tubes. The drop-off between 1981 and 1983 only in part reflects a weakening in the market, which was reduced by 16.0 per cent. Non-GPT imports, which increased during that period by 44.3 per cent, contributed most to the observed decline in the domestic production for such tubes, because of their volume. The number of industrial tubes entering Canada from Korea is small. While they increased approximately six-fold in 1982, such imports fell in the following year. Overall import penetration has reduced the share of industrial tubes supplied by Canadian producers from 49.7 per cent in 1981 to 14.2 per cent by 1983.

Preliminary data for January-March, 1984, indicate that, following the termination of the anti-dumping inquiry, imports from Korea rose by 362.7 per cent from the level for the first quarter of 1983. This increase is less than the advance experienced during the comparable period of 1982, but represents a growth of four-and-a-half times the average for comparable periods in 1981 and 1983. The biggest expansion occurred in the volume of shipments of truck and bus and industrial tubes, although passenger car tubes also gained by 175.4 per cent.

A far less pronounced increase took place in non-GPT shipments, concentrated in the truck and bus and passenger car tubes categories.

SUMMARY OF EVIDENCE

The goods in question are pneumatic inner tubes entering under tariff item 61815-1, and imported for both the original equipment and replacement markets. They exclude tubes for farm implements and agricultural machinery, and for tractors for use on farms. Tires are also excluded.

The MFN tariff rate, which stood as of January 1, 1984 at 12.9 p.c., is scheduled to decline to 10.2 p.c., by the same date in 1987, as an outcome of the MTN. The related, formula-determined GPT rate will move in parallel from 8.5 p.c., to 6.5 p.c., respectively. The difference between the two rates currently amounts to 4.4 percentage points. It will be reduced to 3.7 points by January 1, 1987.

By the time the petition was brought forward following the anti-dumping inquiry, Firestone, one of the original petitioners, had ceased producing tubes in Canada as a result of internal rationalization to which imports from Korea contributed. The firm's Canadian requirements are currently imported from its U.S. parent. Although no longer a Canadian producer, Firestone supports the petition. Goodyear and Trent, a Canadian company, thus form at present the domestic pneumatic inner tube manufacturing industry, supplying Canadian requirements, including those of the Department of National Defence. Trent has recently started to export.

Goodyear distributes its domestically produced tubes, as supplemented by imports from its parent company, through a national network of dealers. Trent uses a wholesale distributor, Pilote Marketing, and relies on private brand dealers, national retailing chains, wholesaling companies and service stations to distribute its tubes. With the brand-tied distributing network, and so the market it supplies, closed to both Trent and imports from Korea, Trent and Korea compete in that segment of the market which is supplied by independent dealers, wholesalers and retailing importers. Thus, the main impact from Korea is felt by Trent.

The petition was supported by the Automotive Parts Manufacturers' Association of Canada. The Association asserted that Korea's industry is so well advanced as not to require additional preferential treatment.

Canada Tire Company, an independent tire dealer handling both imported and domestic tubes, and the Korea Tire Industrial Association and Korean tire tube manufacturers opposed the petition. The main reason for their opposition was that the Canadian industry is adversely affected by factors other than GPT imports and that the volume of imports from Korea, small in relation to the total market, cannot be held to have injured Canadian producers.

The volume of sales in the domestic market from Canadian production of pneumatic inner tubes destined for the domestic market has declined by 44.7 per cent between 1981 and 1983. Exports and inventories were excluded from this analysis. The decline was greater than the reduction of 27.5 per cent in the domestic market.

As a result of weak demand and import competition, Canadian producers lost a portion of their share of the market. In total, the proportion supplied domestically dropped from 72.0 per cent in 1981 to 56.0 per cent by 1983. The reduction was most pronounced in the largest segment of the market -- truck and bus tubes, where Korean imports are significant -- and in the market for industrial tubes. In contrast, the share held by Canadian producers of the passenger car tube market showed an improvement. The volume of shipments of such tubes from Korea exhibited the most decline between 1981 and 1983.

The reduction in manufacturing activity by the Canadian tube industry led to a lowering of employment, of capital investment and profitability. Also as a result, the industry has operated at under-capacity.

The most pronounced impact on sales in the Canadian market from domestic output occurred in industrial tubes, followed by truck and bus tubes. Passenger car tubes were less affected.

As the total market declined, imports from Korea advanced rapidly. From negligible levels prior to 1980, such shipments rose at a peak in 1982 to account for 23.2 per cent of imports of tubes from all countries, and 6.5 per cent of the domestic market and, after a slowing down in 1983, the year in which an anti-dumping inquiry was in progress, are rising again in 1984.

Preliminary indications for January-March, 1984, i.e., following the completion of the anti-dumping inquiry, show that imports from Korea advanced by 362.7 per cent, less than in the peak year of 1982 on year-to-year basis, but representing an increase of four-and-a-half times from the average for the comparable periods in 1981 and 1983. The biggest growth occurred in the volume of shipments of truck and bus and industrial tubes, although passenger car tubes also showed a gain. The rise of imports in Korea was far more pronounced than an increase in the imports during the first quarter of 1984 from non-GPT countries, which were concentrated in the truck and bus and passenger car tubes categories.

The most pronounced expansion occurred in shipments from Korea of truck and bus tubes, the largest segment of the domestic market. In other segments, the impact was less pronounced.

Korean import prices have remained relatively stable during the period under analysis, while domestic producers had to raise their prices in the wake of substantial increases in raw material and other costs. The increase in prices fell short of the rate of gain in production costs. Selling prices were discounted in an attempt to meet, at least in part, Korean prices. Profitability was adversely affected as a result.

Evidence showed that Trent and the imports from Korea compete for the same market supplied by independent dealers. Trent has suffered a loss of a part of its share of that market as well as price suppression induced by low priced Korean imports. In contrast, shipments from non-GPT countries in large part are destined for subsidiaries of multinational tire and tube manufacturers operating in Canada, distributed through tied-in dealerships. This latter market, historically, has not been available generally to other suppliers, domestic or foreign. However, this market, supplied by Firestone and Goodyear, was also adversely affected by price suppression resulting from entry into Canada of low-priced Korean imports.

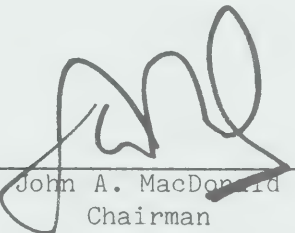
THE BOARD'S CONCLUSIONS AND RECOMMENDATIONS

Based on the evidence before it, the Board is satisfied that the three petitioners have suffered and will suffer further from price suppression resulting from imports of inner tubes for tires from the Republic of Korea. Although Firestone Canada Inc., and Goodyear Canada Inc., have also been injured by loss of market share attributable to importations from the Republic of Korea under the GPT, such imports are particularly injurious to Trent Rubber Services (1978) Limited, because inner tubes are its main product. This company is, furthermore, also more susceptible to imports from the Republic of Korea because it must obtain the majority of its sales in the non-brand market, the prime focus of Korean imports.

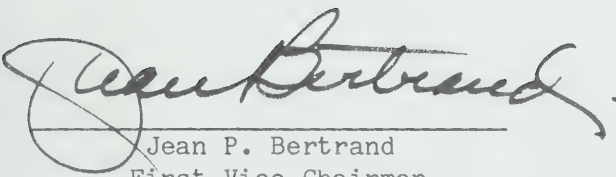
The Board concludes that the petitioners have suffered injury, that there is a link between that injury and imports at the General Preferential Tariff rate from the Republic of Korea, and that a withdrawal of the rate would provide significant relief.

Accordingly, the Board recommends that the General Preferential Tariff on inner tubes subject to the petition, which enter Canada under CITC 625-29 and tariff item 61815-1, be withdrawn with respect to all countries accorded GPT treatment, for three years commencing immediately, subject to a review on expiry should such a review be requested by interested parties.

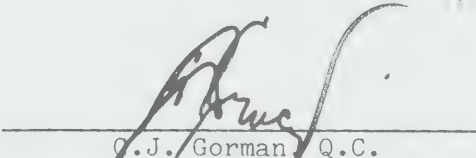
Respectfully,



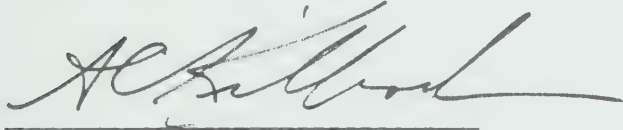
John A. MacDonald
Chairman




Jean P. Bertrand
First Vice-Chairman



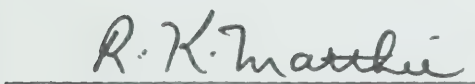
G.J. Gorman, Q.C.
Second Vice-Chairman



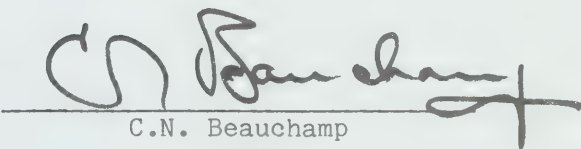
A.C. Kilbank
Member



K.C. Martin
Member



R.K. Matthie
Member



C.N. Beauchamp
Member

APPENDIX A

THE MINISTER'S LETTER OF REFERENCE

July 24, 1980

Mr. John A. MacDonald
Chairman
Tariff Board
365 Laurier Avenue West
Ottawa, Ontario
K1A 0G7

Dear Mr. MacDonald:

I am writing to ask the Tariff Board to study and report under section 4(2) of the Tariff Board Act on a number of matters relating to the General Preferential Tariff (GPT).

The Canadian GPT was implemented in 1974 as part of an international system of tariff preferences designed to assist developing countries to expand their exports of manufactures and semi-manufactures to developed country markets. The preferential rate on industrial products covered by the Canadian scheme is established by legislation at two-thirds of the Most-Favoured-Nation (MFN) rate of duty or the British Preferential (BP) rate, whichever is lower. Specific preferences have also been established for selected agricultural products. Most textile products, leather footwear and certain electron tubes and parts were excluded from the coverage of the GPT by Order in Council under the safeguard clause because of the particular sensitivity of Canadian production in these sectors to import competition.

Since it came into effect in 1974, the GPT has been the subject of numerous and often conflicting representations. On the one hand, developing countries seeking to improve their competitive position vis-a-vis developed countries in the Canadian market have requested that preferences under the GPT be improved and also that the product coverage of the scheme be expanded. Most recently developing countries have expressed concern that the lowering of MFN tariff rates as a result of the multilateral trade negotiations (MTN) will yield smaller margins of preference for developing countries under the GPT than at present. They are seeking further improvements to the Canadian scheme so that their relative competitive position in the Canadian market will be enhanced or, at least, maintained.

On the other hand certain Canadian producers have expressed dissatisfaction and concern over the granting of preferential access to the Canadian market for developing countries. They argue that for many products these countries no longer need preferential access to compete in the Canadian market and that Canadian production and employment may be threatened by these preferences. Canadian producers have also alleged that the current safeguard provisions under the GPT are inadequate and do not allow for prompt consideration and open review of petitions for withdrawal or suspension of preferences.

In response to these latter representations and in order to be in a position to consider improvements to the GPT, the government will be introducing legislation to change the safeguard provisions of the GPT legislation. These changes will be designed primarily to facilitate the review of petitions from Canadian industry for withdrawal or suspension of the GPT preference on particular products from either one or all GPT beneficiaries. The proposed changes would include a provision to allow Canadian producers to petition the Tariff Board directly to determine whether imports at GPT rates are causing or threatening to cause them injury and, in the case of a positive finding, to recommend appropriate safeguard action to the government. Authority for the Governor in Council to establish tariff rate quotas, on the recommendation of the Tariff Board, as an alternative to outright exclusion of products from the GPT, would also be provided for in the amended GPT legislation. (Under a tariff rate quota the MFN tariff rate would be automatically restored when imports at the preferential rate reach a predetermined level). These changes should, if implemented, reassure Canadian producers that their requests for safeguard action will be given prompt consideration under procedures which allow for extensive input by, and consultation with, Canadian industry. At the same time, developing countries or their representatives would have the opportunity to make representations to the Board on any petition for safeguard action.

I recognize, however, that legislation will take time and that Canadian producers have an immediate concern. I would therefore like to meet that concern as far as possible within the context of existing legislation. Accordingly, I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury. If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers. The Board shall report its findings to me within six months of commencing its inquiry together with its recommendations as to whether in the particular instance the General Preferential Tariff should be withdrawn in whole or in part. If as the inquiry proceeds the Board is satisfied that there is a situation requiring urgent action, it shall make an interim report and recommendation prior to its final report and recommendation. In addition to the views of Canadian producers the Board should, in carrying out the inquiry, invite and take into account the views of the exporting beneficiary country or countries, exporting firms or representatives thereof as well as Canadian importers and consumers.

Given the reassurances that will be provided Canadian producers upon implementation of the proposed changes to the safeguard provisions, and bearing in mind the results of the MTN, the government also considers it timely and appropriate to review what changes or improvements to the GPT scheme may be possible to deal with the concerns of developing countries noted above. I would not want to propose such changes or improvements, however, unless it were determined that Canadian interests would not be adversely affected. I, therefore, direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act, to review and report on the expected impact on Canadian production of including in the GPT those products covered by the tariff items listed in Group I of Annexes A and B to this letter, and the expected impact on Canadian production if the preferential rate under the GPT were established at Free for those products covered by the tariff items listed in Group II of Annexes A and B. I would also ask the Board to include in its report recommendations, based on its findings, as to whether any of the products covered by the tariff items in Group I should be included in the GPT and if so at what rates, and whether any of the products covered by the items in Group II should be allowed duty-free entry under the GPT.

If the Board should conclude that the inclusion in the GPT of some of the goods which are now excluded would be facilitated by the establishment of tariff rate quotas for those products, I would ask the Board also to make recommendations regarding the levels of such quotas. With regard to the GPT rates which the Board might recommend for products which are now excluded from the GPT, but for which the GPT rate formula would apply if they were included in the GPT, I would ask the Board to consider only two options: duty-free entry or the formula rate (i.e. the MFN rate minus one-third or the BP rate if it is lower).

I would ask that the Tariff Board report not later than nine months from the date of this letter on the tariff items listed in Annex A. The Board's report on the items listed in Annex B should be submitted within one year of its report on the items listed in Annex A.

Yours sincerely,

Allan J. MacEachen

APPENDIX B
ATTENDANCE LIST

SP-10

ATTENDANCE AT PUBLIC HEARING HELD ON JUNE 13, 1984, OTTAWA

Organization

Representative(s)

Automotive Parts Manufacturers' Association
of Canada, The
Canadian Tire Company
Clarkson, Tetraault
Firestone Canada Inc.
Goodyear Canada Inc.
Hankook Tire Mfg. Co. Ltd.
Korea, Embassy of
Korea Tire Industrial Association
Kumho Canada Inc.
Oppenheimer Wolff Foster Shepard
and Donnelly, representing:
Hankook Tire Mfg. Co. Ltd.
Sam Yang Tire Inc.
Wuonpong
Dong Ah Tire Industry Co. Ltd.
Heung Ah Tire Inc. Co. Ltd.
Korea Co. Ltd.
Pilote Marketing Inc.
Rubber Association of Canada, The
Torchfire Canada Inc.
Trent Rubber Services (1978) Limited

M.B. Bursey
J. Granatstein
Micheal Flavell
J.J. Kenesky
D.B. Spalding
C.K. Shim
D.O. Shin
K.T. Shim
Soo W. Park
David A. Gantz

D.J. Conley
J.D. Moore
Ivan Song
D.W. Hay
C.J. Mumford
C.W. Ott

SP-10

LISTE DES PERSONNES PRÉSENTES À L'AUDIENCE PUBLIQUE
TENUE LE 13 JUIN 1984, OTTAWA

<u>Représentant(s)</u>	<u>Organisation</u>
J.D. Moore	Association Canadienne de l'Industrie du Caoutchouc
M.B. Bursey	Automotive Parts Manufacturers' Association of Canada, The
J. Granatstein	Canadian Tire Company
Michael Flavel	Clarkson, Tetrault
J.J. Kenesky	Firestone Canada Inc.
D.B. Spalding	Goodyear Canada Inc.
C.K. Shim	Hankook Tire Mfg. Co. Ltd.
D.O. Shin	Korea, Embassy of
K.T. Shim	Korea Tire Industrial Association
Soo W. Park	Kumho Canada Inc.
David A. Gantz	Oppenheimer Wolff Foster Shepard and Donnelly, representing:
	Hankook Tire Mfg. Co. Ltd.
	Sam Yang Tire Inc.
	Wuonpong
	Dong Ah Tire Industry Co. Ltd.
	Heung Ah Tire Inc. Co. Ltd.
	Korea Co. Ltd.
	Pilote Marketing Inc.
	Torchfire Canada Inc.
	Trent Rubber Services (1978) Limited
D.J. Conley	
Ivan Song	
D.W. Hay	
C.J. Mumford	
C.W. Ott	

LISTE DES PERSONNES PRÉSENTES

ANNEXE B

Je demanderais à la Commission du tarif de faire rapport dans les neuf mois qui suivront la date de réception de la présente lettre sur les numéros tarifaires figurant à l'Annexe A. Le rapport de la Commission sur les numéros figurant à l'Annexe B devrait être présenté dans l'année qui suit la présentation de son rapport sur les numéros figurant à l'Annexe A.

Je vous prie d'agréer, Monsieur, l'expression de ma considération distinguée.

Allan J. MacEachen

produit ou des produits en question permettrait en fait de soulager les producteurs canadiens. La Commission doit me signaler ses conclusions dans les six mois qui suivent et me faire part de ses recommandations quant à la question de savoir s'il y a lieu, dans le cas particulier, de retirer totalement ou partiellement le Tarif de préférence général. Si, au cours de l'enquête, la Commission est convaincue que la situation nécessite la prise urgente de mesures, elle doit faire un rapport et présenter des recommandations provisoires. En plus de demander aux producteurs canadiens de donner leur point de vue, la Commission devrait, dans le cadre de son enquête, inviter les pays exportateurs bénéficiaires, les entreprises exportatrices ou leurs représentants ainsi que les importateurs et les consommateurs canadiens à faire connaître leur point de vue et en tenir compte.

Compte tenu, d'une part, des garanties qui seront offertes aux producteurs canadiens lors de la mise en oeuvre des changements proposés aux dispositions de sauvegarde et, d'autre part, des résultats des NCM, le gouvernement considère également qu'il convient actuellement d'examiner quels sont les changements ou les améliorations qui pourraient être apportés au TPG en réponse aux inquiétudes exprimées par les pays en voie de développement telles que mentionnées plus haut. Toutefois, je ne voudrais pas proposer de tels changements ou de telles améliorations à moins qu'il soit déterminé que les producteurs canadiens ne subiront pas d'effets néfastes. Par conséquent, je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier les incidences prévues sur la production canadienne de l'application du TPG aux produits figurant aux numéros tarifaires du Groupe I des Annexes A et B de la présente lettre et les incidences prévues sur la production canadienne de l'octroi de l'entrée en franchise de droits sous le régime du TPG dans le cas des produits figurant aux numéros tarifaires du Groupe II des Annexes A et B et de faire rapport à ce sujet. Je demande également à la Commission d'inclure dans son rapport des recommandations, fondées sur ses conclusions, quant à la question de savoir s'il y aurait lieu d'appliquer le TPG aux produits figurant aux numéros tarifaires du Groupe I et, le cas échéant, à quels taux et quant à la question de savoir s'il y aurait lieu de permettre l'entrée en franchise en vertu du TPG de l'un ou l'autre des produits figurant aux numéros du Groupe II.

Si la Commission devait conclure que l'application du TPG dans le cas de certains des produits qui en sont actuellement exclus serait facilitée par l'établissement de contingents tarifaires à l'égard de ces produits, je demanderais également à la Commission de faire des recommandations concernant les niveaux de ces contingents. En ce qui concerne les taux du TPG que la Commission pourrait recommander dans le cas des produits qui sont actuellement exclus, mais dans le cas desquels la formule d'établissement du taux du TPG s'appliquerait s'ils étaient inclus, je demanderais à la Commission de limiter son étude soit à l'entrée en franchise ou à l'établissement d'un taux établi selon la formule (c'est-à-dire, le taux de la NPF moins le tiers ou le taux de PB s'il est inférieur).

prévues en vertu du TPG sont insuffisantes et ne permettent pas d'étudier rapidement les demandes de retrait ou de suspension des préférences ni d'effectuer un examen public à ce sujet.

En réponse à ces dernières représentations et afin d'être en mesure d'envisager la possibilité d'améliorer le TPG, le gouvernement présentera un projet de loi visant à modifier les dispositions de sauvegarde sous le régime du TPG. Ces changements seront conçus principalement afin de faciliter l'examen des demandes de l'industrie canadienne en ce qui concerne le retrait ou la suspension du TPG dans le cas de produits particuliers provenant de l'un ou l'autre des bénéficiaires du TPG. Les changements proposés comprendraient une disposition visant à permettre aux producteurs canadiens de demander directement à la Commission du tarif de déterminer si des importations, au taux du TPG, leur causent ou menacent de leur causer un préjudice et, dans le cas d'une conclusion affirmative, de recommander des mesures appropriées de sauvegarde au gouvernement. Les nouvelles dispositions accorderaient aussi au Gouverneur en conseil le pouvoir d'établir des contingents tarifaires, suite à une recommandation de la Commission du tarif, comme solution de rechange à l'exclusion totale de produits de l'application du TPG. (En vertu d'un contingent tarifaire, le taux du tarif de la NPF serait automatiquement rétabli lorsque les importations, au taux préférentiel, atteignent un niveau déterminé à l'avance.) Ces changements devraient, s'ils sont mis en oeuvre, permettre de garantir aux producteurs canadiens que leurs demandes d'application de mesures de sauvegarde seront étudiées rapidement selon des procédures qui permettent de consulter et de faire participer dans une grande mesure l'industrie canadienne. En même temps, les pays en voie de développement ou leurs représentants pourraient faire des représentations à la Commission en ce qui concerne toute demande d'application de mesures de sauvegarde.

Toutefois, je reconnais qu'il faudra du temps pour présenter un projet de loi et que les producteurs canadiens ont un problème urgent. J'aimerais donc régler ce problème dans la mesure du possible dans le contexte de la législation existante. Par conséquent, je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite de l'application du Tarif de préférence général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée. Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations aux taux réduits en vertu du TPG. À mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG à l'égard du

le 24 juillet 1980

Mr. John A. MacDonald
Président
Commission du tarif
365 ouest, avenue Laurier
Ottawa (Ontario)
K1A 0G7
Monsieur,

La présente a pour but de demander à la Commission du tarif d'étudier, en vertu du paragraphe 4(2) de la Loi sur la Commission du tarif, un certain nombre de questions relatives au Tarif de préférence général (TPG) et de faire rapport à ce sujet.

En 1974, le Canada a instauré le TPG dans le cadre d'un système international de préférences tarifaires visant à aider les pays en voie de développement à accroître leurs exportations de produits manufacturés et semi-manufacturés vers les marchés des pays développés. Le taux préférentiel sur les produits industriels assujettis au régime canadien est établi par voie de législation et correspond aux deux tiers du Tarif de la nation la plus favorisée (NPF) ou du Tarif de préférence britannique (PB), le moins élevé de ces taux étant à retenir. Des préférences particulières ont également été établies dans le cas de certains produits agricoles. Le TPG ne s'applique pas à la plupart des produits du textile, aux chaussures en cuir et à certains tubes électroniques et leurs pièces en raison d'un décret pris en vertu de la clause de sauvegarde; cette mesure a été prise en raison de la vulnérabilité particulière à la concurrence étrangère des producteurs canadiens dans ces secteurs.

Depuis son entrée en vigueur en 1974, le TPG a fait l'objet de nombreuses représentations souvent opposées. D'une part, les pays en voie de développement, qui cherchent à améliorer leur position concurrentielle par rapport aux pays développés sur le marché canadien, ont demandé une amélioration des préférences accordées en vertu du TPG et également un accroissement du nombre de produits assujettis au régime. Plus récemment, les pays en voie de développement ont dit s'inquiéter du fait que la réduction des taux du tarif de la NPF, à la suite des négociations commerciales multilatérales (NCM), entraînera une diminution des marges de préférence dont ils bénéficient en vertu du TPG. Ces pays demandent que l'on améliore davantage le régime canadien afin que leur position concurrentielle relative sur le marché canadien soit améliorée ou, du moins, maintenue.

Par contre, certains producteurs canadiens ont exprimé leur insatisfaction et leurs préoccupations au sujet de l'octroi aux pays en voie de développement de l'accès préférentiel au marché canadien. Ils prétendent que, dans le cas de bon nombre de produits, ces pays n'ont plus besoin d'un accès préférentiel pour concurrencer sur le marché canadien et que ces préférences peuvent menacer la production et l'emploi au Canada. Les producteurs canadiens ont également soutenu que les dispositions actuelles de sauvegarde

LA LETTRE DE MANDAT DU MINISTRE

ANNEXE A

CONCLUSIONS ET RECOMMANDATIONS DE LA COMMISSION

D'après la preuve qui lui a été soumise, la Commission est d'avis que les trois demandereses ont subi ou subiront encore un préjudice de la suppression de prix résultant des importations de chambres à air en provenance de la République de Corée. Malgré que la Firestone Canada Inc. et la Goodyear Canada Inc. ont aussi subi un préjudice par la perte d'une part du marché à cause des importations en provenance de la République de Corée en vertu du TPG, de telles importations ont nui particulièrement à la Trent Rubber Services (1978) Limited, étant donné que les chambres à air sont le produit principal de cette entreprise. De plus, cette compagnie est plus vulnérable aux importations de la République de Corée du fait qu'elle doit obtenir la majorité de ses ventes sur un marché sans marque commerciale, là où les importations coréennes sont les plus concentrées.

La Commission conclut que les demandereses ont subi un préjudice, qu'il existe un lien entre ce préjudice et les importations au taux du Tarif de préférence général en provenance de la République de Corée, et qu'un retrait de ce taux apporterait un soulagement important.

La Commission recommande donc que le Tarif de préférence général visant les chambres à air au sujet desquelles on a fait une demande et qui entrent au Canada sous le NCCI 625-29 et le numéro tarifaire 61815-1, soit retiré pour tous les pays qui bénéficient du TPG, pour une période de trois ans effective immédiatement, sujet à révision à l'échéance si des parties intéressées exigent une telle révision.

Le tout respectueusement soumis,

John A. Macdonald
Président

Jean P. Bertrand
Premier Vice-Président

A.C. Kibank
Membre

R.K. Mathie
Membre

G. Dorman, c.r.
Deuxième Vice-Président

K.C. Martin
Membre

C.N. Beauchamp
Membre

prix causée par les importations coréennes à bas prix. Au contraire, les importations en provenance des pays non-TPG sont destinées en majeure partie aux filiales multinationales de fabricants étrangers de pneus et de chambres à air qui oeuvrent au Canada et sont distribuées par l'entremise de distributeurs reliés. Historiquement, cette dernière tranche du marché n'a jamais été mise à la disposition des autres fournisseurs, qu'ils soient du pays ou de l'étranger. Toutefois, ce marché, fourni par Firestone et Goodyear, a aussi subi des incidences défavorables de la baisse des prix résultant de l'entrée au Canada des importations coréennes à prix réduit.

des importations de chambres à air en provenance de tous les pays et 6.5 pour cent du marché intérieur. Suite à un ralentissement en 1983, année pendant laquelle s'est tenue une enquête antidumping, ces expéditions augmentent une fois de plus en 1984.

Selon les indications préliminaires pour la période de janvier à mars 1984, i.e. suite à l'enquête antidumping, les importations en provenance de la Corée se sont accrues de 362.7 pour cent, moins que l'année record de 1982 si l'on compare année par année, mais elles représentent une augmentation de quatre fois et demie la moyenne pour les périodes comparables en 1981 et 1983. La croissance majeure a eu lieu dans le volume des expéditions de chambres à air pour camions et autobus et industrielles. Toutefois les chambres à air pour automobiles ont aussi accusé un gain. La hausse des importations de Corée est beaucoup plus prononcée qu'une augmentation dans les importations durant le premier trimestre de 1984 en provenance des pays non-TPG, lesquelles étaient concentrées dans les catégories de chambres à air pour camions, autobus et automobiles.

L'expansion la plus prononcée s'est produite dans les expéditions de chambres à air pour camions et autobus en provenance de Corée, secteur le plus important du marché intérieur. Dans d'autres secteurs, la répercussion était moins sérieuse.

Les prix d'importation de Corée sont demeurés relativement stables pendant la période sous étude, tandis que les fabricants canadiens ont dû hausser leurs prix à la suite de majorations substantielles régissant les matières brutes et autres coûts. La hausse de prix n'équivalait pas à la hausse du coût de production. On a escompté les prix de vente pour tâcher de faire concurrence, du moins en partie, aux prix de la Corée. Il en résulte que les bénéfices ont été affectés de façon défavorable.

Les témoignages ont indiqué que la Trent et les importations de Corée se disputent le même marché fourni par des détaillants indépendants. Trent a subi une perte d'une partie de sa part du marché ainsi qu'une baisse de

facteurs que les importations TPG et que le volume des importations en provenance de Corée, lequel est minime comparé au marché global, ne peut être accusé d'avoir nui aux fabricants canadiens.

Le volume des ventes sur le marché intérieur pour la production canadienne de chambres à air pneumatiques destinées au marché intérieur a accusé une baisse de 44.7 pour cent entre 1981 et 1983. On a exclu les exportations et les inventaires de cette analyse. Le déclin était plus important que la réduction de 27.5 pour cent sur le marché intérieur.

Par suite d'une faible demande et de la concurrence au niveau de l'importation, les fabricants canadiens ont perdu une tranche de leur part du marché. En tout, la proportion fournie à l'intérieur a baissé de 72.0 pour cent en 1981 à 56.0 pour cent en 1983. La réduction était plus prononcée dans le secteur le plus important du marché -- chambres à air pour camions et autobus, où les importations coréennes sont importantes -- et sur le marché des chambres à air industrielles. Au contraire, la part du marché accaparée par les fabricants canadiens de chambres à air pour automobiles s'est accrue. Le volume d'expéditions de telles chambres à air en provenance de Corée a démontré le plus de baisse entre 1981 et 1983.

La diminution de la production par l'industrie canadienne de chambres à air a résulté en une baisse d'emplois, d'investissements de fonds et de bénéfices. Il en résulte que l'industrie n'a pas opéré à pleine capacité. La production intérieure a causé une incidence plus prononcée sur les ventes du marché canadien premièrement au niveau des chambres à air industrielles puis des chambres à air pour camions et autobus. Les chambres à air pour automobiles furent moins affectées.

Vu que le marché en entier s'est érodé, les importations de la Corée ont progressé rapidement. Allant de niveaux négligeables jusqu'en 1980, ces expéditions ont atteint leur maximum en 1982, représentant 23.2 pour cent

Lorsque la demande fut présentée suite à l'enquête antidumping, Firestone, une des demandereses à l'origine, avait cessé de fabriquer des chambres à air au Canada par suite d'une rationalisation interne à laquelle les importations de la Corée avaient contribué. La compagnie fournit présentement ses clients canadiens par des importations provenant de sa compagnie mère aux Etats-Unis. Quoiqu'elle ait cessé toute fabrication canadienne, Firestone supporte la présente demande. Trent, une compagnie canadienne, et Goodyear forment donc à l'heure actuelle l'industrie de fabrication de chambres à air pneumatiques canadienne, et rencontrent les exigences du marché canadien, y compris celles du ministère de la Défense nationale. Dernièrement, Trent s'est lancée dans l'exportation.

La Goodyear distribue ses chambres à air fabriquées au Canada, en plus des importations de sa compagnie mère, par l'entremise d'un réseau national de détaillants. Trent utilise un distributeur-grossiste, Pilote Marketing, et compte sur les fournisseurs de marques privées, les chaînes nationales de vente au détail, les compagnies grossistes et les stations-service pour distribuer ses chambres à air. Compte tenu du réseau de distribution pour les produits ayant une marque de commerce et du marché desservi, qui est fermée pour la compagnie Trent et les importations de Corée, ces deux dernières doivent concurrencer dans le secteur du marché des fournisseurs indépendants, des grossistes et des importateurs de détail. En conséquence, c'est la compagnie Trent qui subit le plus l'incidence défavorable causée par la Corée.

La Automotive Parts Manufacturers' Association of Canada a supporté la demande. Elle a affirmé que l'industrie coréenne est tellement avancée qu'elle n'a pas besoin de traitement préférentiel supplémentaire.

La Canada Tire Company, détaillant indépendant de pneus qui vend des chambres à air importées et fabriquées au pays, la Korea Tire Industrial Association ainsi que les fabricants coréens de chambres à air pour pneus se sont opposés à la demande. La raison principale de leur opposition était que l'industrie canadienne subit des incidences défavorables causées par d'autres

pendant cette période, ont le plus contribué au déclin accusé par la production intérieure de ces chambres à air, et ce à cause de leur volume. Le nombre de chambres à air industrielles importé au Canada de la Corée est minime. Malgré qu'elles se soient sextuplées en 1982, ces importations ont accusé une baisse l'année d'ensuite. La pénétration du total des importations a réduit la part du marché des chambres à air fournie par les fabricants canadiens de 49.7 pour cent en 1981 à 14.2 pour cent en 1983.

Les données préliminaires de janvier-mars 1984 indiquent que, suite à la fin de l'enquête antidumping, les importations en provenance de Corée ont accru de 362.7 pour cent au-dessus du niveau du premier trimestre de 1983. Cette augmentation est moins importante que la majoration accusée pendant une période comparable en 1982 mais elle représente une croissance de trois fois et demi la moyenne pour des périodes comparables en 1981 et 1983. L'expansion majeure est survenue dans le volume des expéditions de chambres à air pour camions et autobus, malgré que les chambres à air pour automobiles aient aussi augmenté de 175.4 pour cent.

Une majoration bien moins prononcée a eu lieu dans les expéditions ne relevant pas du TPC, et ce, surtout pour les catégories de chambres à air pour camions et autobus ainsi que pour les automobiles.

SOMMAIRE DE LA PREUVE

Les marchandises en cause sont des chambres à air pneumatiques entrées sous le numéro tarifaire 61815-1 et importées pour l'équipement original ou pour le marché de pièces de rechange. Elles excluent les chambres à air destinées aux instruments aratoires, aux machines agricoles et aux tracteurs utilisés à des fins agricoles. Les pneus sont aussi exclus.

Par suite des NCM, le taux tarifaire NPF qui, au 1^{er} janvier 1984, était de 12.9 p.c., doit baisser à 10.2 p.c. à la même date en 1987. Le taux déterminé par formule suivra un cours parallèle, allant de 8.5 p.c. à 6.5 p.c. respectivement. La différence entre les deux taux équivalait présentement à 4.4 points de pourcentage. La marge sera réduite à 3.7 points de pourcentage d'ici le 1^{er} janvier 1987.

cent. L'érosion la plus prononcée de ventes émanant de la production intérieure est attribuable aux importations majorées. Les expéditions de ces chambres à air ont quadruplé en 1982. Malgré la diminution ultérieure de ces expéditions, le volume maintenu en 1983 était toujours 186.3 pour cent au-dessus du total entré au Canada en provenance de Corée en 1981. En revanche, les importations ne relevant pas du TPG ont diminué en 1982, mais ont repris leur croissance en 1983 lorsque le volume de chambres à air pour camions et autobus importés de pays non-TPG est passé à un niveau de 51.7 pour cent plus élevé qu'en 1981.

Par suite de la majoration des importations, la partie du marché de chambres à air pour camions et autobus accaparée par les fabricants canadiens était réduite de 79.0 pour cent en 1981 à 49.8 pour cent jusqu'en 1983. Les importations coréennes ont accusé la pénétration la plus importante ainsi que la majoration la plus prononcée de pénétration par les produits provenant de ce pays, en comparaison avec les autres secteurs du marché intérieur.

En ce qui a trait aux chambres à air pour automobiles, qui de par leur volume occupent la deuxième place de ce secteur du marché, les ventes sur le marché intérieur de chambres à air de fabrication canadienne ont été les moins affectées. Elles ont accusé une baisse de 19.3 pour cent, ce qui équivalait approximativement à la réduction de 21.3 pour cent que le marché pour de telles chambres à air avait éprouvé pendant ces années. Les expéditions coréennes de ces chambres à air ont accusé une baisse en 1983 à un niveau équivalent 50.1 pour cent de moins qu'en 1981. Les expéditions ne relevant pas du TPG, accusant elles aussi une baisse, se sont érodées de 22.0 pour cent entre 1981 et 1983. Il en résulte que la partie accaparée par les fabricants canadiens est demeurée à-peu-près la même, allant de 63.6 pour cent à 65.9 pour cent entre 1981 et 1983.

Le volume des ventes sur le marché canadien a accusé la baisse la plus importante, soit de 76.1 pour cent pour les chambres à air industrielles. La diminution entre 1981 et 1983 reflète en partie seulement une érosion du marché, lequel s'est détérioré de 16.0 pour cent. Le nombre de chambres à air industrielles importé de la Corée par le Canada est moindre. Les importations ne relevant pas du TPG, qui se sont accrues de 44.3 pour cent

(1) Les ventes sur le marché intérieur par les fabricants canadiens

de chambres à air fabriquées au Canada ont diminué de 43.6 pour cent entre 1981 à 1983, ou à-peu-près une fois et demie plus rapidement que la réduction du marché intérieur durant ces mêmes années. Les importations de Corée se sont accrues rapidement durant la période à l'étude tandis que le marché a accusé une baisse. Toutefois, en volume, elles représentaient seulement une moyenne de 4.7 pour cent du marché total entre 1981 et 1983 et équivalait à 7.0 pour cent de la production canadienne pour le marché intérieur. Les importations ne bénéficiaient pas du TPG contribuant le plus à une pénétration générale du marché canadien par des marchandises de l'étranger à cause de leur volume. Toutefois, tel que mentionné ci-dessus, une partie de ces importations comprend des chambres à air de dimensions non fabriquées au pays et/ou des chambres à air importées de l'étranger par des filiales canadiennes de compagnies multinationales afin de suppléer à la production nationale selon les exigences du consommateur.

Par suite des importations croissantes, la partie du marché canadien détenue par les fabricants du pays est tombée de 72.0 pour cent en 1981 à 56.0 pour cent en 1983. Les importations croissantes ont accentué l'incidence défavorable du marché à son déclin et a contribué aux réductions de production intérieure, de travail, d'investissements et de taux de capacité d'utilisation par l'industrie. Les bénéfices ont été affectés de façon défavorable, partiellement parce qu'on a essayé de concurrencer les bas prix coréens malgré la hausse des coûts de production.

Les ventes au Canada de chambres à air pour camions et autobus fabriqués au pays, partie la plus importante du marché intérieur pour les chambres à air, s'est érodée de 58.4 pour cent, tandis que le marché canadien pour les chambres à air pour camions et autobus était réduit de 32.4 pour cent. Les ventes sur le marché intérieur, en l'absence d'inventaires, sont égales à la production de chambres à air par les fabricants canadiens, moins les exportations.

Le prix joue un rôle prédominant dans la concurrence. Les distinctions de qualités semblent être secondaires, malgré qu'on prétende qu'elles existent.⁽¹⁾

Selon les factures, les prix à l'importation en provenance de Corée ont varié très peu entre 1981 et 1983, tel que le démontre l'analyse par la Commission des documents confidentiels d'importations. Par contre, vu que les coûts de matières brutes se sont élevés rapidement, les fabricants canadiens ont dû majorer leurs prix en gros parce que le coût de la production avait augmenté. Toutefois, malgré des baisses de prix, ils étaient défavorablement affectés vis-à-vis les importations coréennes étant donné que les prix coréens sont demeurés assez stables. De plus, des renseignements confidentiels indiquent que les prix moyens unitaires de fabrication des producteurs canadiens se sont élevés plus rapidement que les prix moyens en gros suite à des baisses de prix, de telle sorte que les bénéfices moyens par chambre à air pour les fabricants canadiens se sont érodés. Les bénéfices ont décliné jusqu'en 1983 bien que des améliorations sont à prévoir pour les années 1984 et 1985. Pour ce qui est de la Trent, les exportations continueront en partie à cette remontée.

LE MARCHÉ INTÉRIEUR, LES VENTES NATIONALES CANADIENNES ET LA CONCURRENCE DES PRODUITS

(2) Le marché canadien des chambres à air du genre de celles sous étude a accusé une baisse de 27.5 pour cent en 1983 par rapport à 1981. Cette réduction reflète des facteurs tels la tendance à long terme de s'éloigner de l'utilisation des chambres à air compte tenu de l'arrivée sur le marché de l'usage croissant de pneus sans chambres à air et de la récession économique récente. Ces facteurs ont contribué à modifier le marché du matériel neuf et des pièces de rechange en ce qui concerne les chambres à air.

(1) Transcription, pp. 32-41.
(2) Estimé d'après les données fournies à la Commission, qui consiste en la production nette des exportations et importations. On n'a pas tenu compte des inventaires, vu que la production dans le cas présent est calculée d'après les commandes.

La part des importations de la Corée en tant que pourcentage du total canadien des importations totales de chambres à air a le plus augmenté pour la catégorie des camions et des autobus. En 1983, de telles chambres à air d'origine coréenne représentaient la majeure partie des importations comparables en provenance de tous les pays. Le montant des expéditions de chambres à air pour automobiles et industrielles a baissé quelque peu cette année-là en comparaison à 1981. Toutefois, dû à la croissance rapide d'importations au premier trimestre de 1984, les chambres à air pour automobiles, celles destinées à l'industrie, ont repris une part du terrain perdu.

COMMERCIALISATION, PRIX ET INCIDENCES DES IMPORTATIONS CORÉENNES

Firestone et Goodyear vendent des pneus ainsi que des chambres à air. La Goodyear vend ses propres produits lesquels sont suppléés par des importations de son usine apparemment des E.U. selon les exigences du marché. Ne produisant plus au Canada, la Firestone vend uniquement des chambres à air importées de son usine principale située aux Etats-Unis. Les deux filiales américaines vendent leurs chambres à air presque exclusivement via leur réseau national de magasins de pneus, lesquels vendent leur marque commerciale de pneus seulement. Toutefois, les chambres à air sont aussi vendues à des détaillants indépendants qui vendent aussi d'autres marques, y compris des importations.

En revanche, tandis que la Trent fabrique et vend des chambres à air, elle ne possède pas un réseau distributeur proprement dit mais écoule ses marchandises par l'entremise de détaillants de pneus, de succursales nationales de vente au détail, de grossistes et de stations de service. Les grossistes, i.e. Pilote Marketing, vendent des chambres à air de marque Trent aux détaillants indépendants mais vendent aussi des chambres à air d'autres fabricants ainsi que des importations. Les produits importés, surtout ceux de la Corée, font concurrence au niveau des fournisseurs qui n'appartiennent pas au réseau de distribution des fabricants au marché sans marque de commerce.

Les importations de chambres à air assujetties au TPG ont augmenté plus rapidement que les importations canadiennes de chambres à air de toutes sources jusqu'en 1982, où elles ont représenté 23.2 p.c. En 1983, alors que le total des importations s'est accru en raison de l'arrêt de la fabrication de chambres à air au Canada par Firestone, et que les importations en provenance de Corée ont diminué, la part de ces dernières a baissé de 10.9 p.c. Cependant, au cours des trois premiers mois de 1984, le volume fourni par les exportateurs coréens, en proportion de toutes les importations, s'est élevé à 16.0 pour cent. Cette partie était moins importante que le niveau de 27.8 pour cent atteint durant le premier trimestre de l'année record de 1982. Toutefois, les expéditions de chambres à air de Corée ont atteint une proportion qui doublait le niveau du premier trimestre de 1981 et 1983.

Les données sur les importations assujetties au TPG par types de chambres à air révèlent que les chambres à air pour pneus d'automobiles ont constitué la grande majorité du nombre total de chambres à air coréennes vendues au Canada en 1981, les chambres à air pour pneus de camions et d'autobus faisant plus ou moins la part du reste des importations bénéficiant du TPG en provenance de Corée. Les chambres à air pour pneus de machines et de matériel de construction ont représenté une partie minime du total des envois coréens au Canada. En 1983, cependant, les importations de chambres à air pour pneus de camions et d'autobus avaient plus que doublé, leur nombre étant au-delà de deux fois plus élevé que celui des chambres à air pour automobiles importées de la Corée au cours de l'année, ce qui représentait les deux tiers de ces importations. Les importations de chambres à air pour automobiles et de chambres à air utilisées pour l'équipement de construction (industrielles) étaient en 1983 bien en-deçà de leur niveau de 1981. Cette prédominance des chambres à air pour pneus de camions et d'autobus en provenance de Corée semble s'être maintenue en 1984. Il est à noter que ce sont principalement les chambres à air pour pneus de camions et d'autobus de petite et moyenne dimension, c'est-à-dire de moins de 22 pouces, qui ont largement contribué à l'augmentation des envois coréens au Canada.

Au cours des trois premiers mois de 1984, le volume des importations totales de chambres à air visées ici a grimpé de 107.6 p.c. comparativement aux importations au cours de la même période en 1983. Les importations non assujetties au TPG au cours de la période de janvier à mars 1984 ont grimpé de 87.9 p.c. par rapport à la même période l'année précédente. Les marchandises ne bénéficiant pas du TPG constituaient la majeure partie du total des importations de chambres à air durant cette période.

Les expéditions de marchandises en provenance de pays non-TPG comprennent des importations par les fabricants canadiens de dimensions qu'ils ne fabriquent pas au Canada aussi bien que des marchandises devant suppléer la production au pays afin de pourvoir à la demande du client⁽¹⁾ et pour usage direct par les subsidiaires canadiens de fabricants de pneus multinationaux.

IMPORTATIONS ASSUJETTIES AU TPG

Seule la République de Corée a exporté des chambres à air en caoutchouc au Canada en vertu du TPG. En outre, de telles importations ont été très peu nombreuses avant 1980. En 1981, elles ont fait un bond très prononcé et ont augmenté encore de 76.6 p.c. en 1982. Au cours de l'année 1983, la quantité de chambres à air pour pneus importées de Corée a été ramenée à 98,017, soit une baisse de 35.5 p.c. par rapport au total de l'année précédente. Cette année-là, l'enquête par le Tribunal antidumping était en cours et on avait imposé une surtaxe temporaire à cet effet.

Toutefois, pour le premier trimestre de 1984, les importations de chambres à air de Corée ont été majorées de 362.7 pour cent par rapport au premier trimestre de 1983, l'année de baisse. Bien que le volume importé au Canada ait été plus faible que le total des importations durant la période de janvier à mars 1982, l'année record pour les importations en provenance de Corée, il équivalait à environ quatre fois et demie la moyenne du premier trimestre pour 1981 et 1983.

(1) Transcription, pp. 28-29.

Les données sur les importations assujetties au TPG ont été obtenues pour la période qui nous intéresse, soit 1981, 1982, 1983 ainsi que le premier trimestre de 1984, grâce à une étude de la documentation sur les importations par la Commission. On a examiné la documentation sur les importations pour la classe de marchandises 625-29-90, "chambres à air, nda", afin de déterminer les importations non assujetties au TPG. Ces renseignements ont été par la suite renforcés pour les données publiées par Statistique Canada. Il s'ensuit que les importations TPG et non-TPG de chambres à air par genre ont été déterminées de la façon suivante.

625-29-20 - Chambres à air pour pneus de voitures de tourisme
625-29-30 - Chambres à air pour pneus de camions et autobus
625-29-70 - Chambres à air pour matériel de construction

Les textes mentionnés ci-dessus ne sont pas disponibles au public pour fins d'analyse. Les données publiées, utilisées dans les exposés non-confidentiels présentés à la Commission, ne reflètent pas les détails à partir desquels la Commission a cumulé les renseignements pour son enquête, lesquels étaient autrement admis au public. Toutefois, ces différences n'affectent pas la portée principale de son analyse.

Les données sur la production, les ventes et autres, présentées à la Commission sous sceau confidentiel par les demandereses, ne peuvent être isolées sans violer ce caractère confidentiel. Il s'ensuit que ces renseignements ne peuvent être présentés ici. En conséquence, l'exposé qui suit émane d'une analyse qualitative plutôt que quantitative.

TOTAL DES IMPORTATIONS ASSUJETTIES OU NON AU TPG

Au total, 783,156 chambres à air ont été importées au Canada en 1981. L'année suivante, ce chiffre est tombé à 652,690 articles, pour ensuite remonter à 892,240 en 1983. Les importations non assujetties au TPG relevant des tarifs PB et NPF ont représenté la majeure partie des importations canadiennes de chambres à air de toutes sources en 1981 et en 1983, ayant accusé une baisse en 1982, année pendant laquelle elles n'ont représenté que 75 pour cent des expéditions en provenance de l'étranger.

L'argument central de l'opposition à la demande de la mesure de sauvegarde se trouve dans le plaidoyer coréen. Celui-ci a été présenté par M. David A. Gantz, un avocat de Washington, D.C., qui a aussi fait office de procureur à l'audience publique. Le plaidoyer coréen, qui vise principalement la société Trent, est basé en grande partie sur les débats qui se sont déroulés devant le tribunal antidumping au début de 1983, et à l'issue desquels le Tribunal a décidé que, malgré le constat préliminaire de dumping à l'égard des importations de chambres à air coréennes pour pneus établi par le Revenu Canada, Douanes, la production canadienne d'articles semblables ne subissait pas de préjudice réel. Les auteurs du plaidoyer coréen concluent que l'industrie nationale n'est pas à l'heure actuelle lésée par les importations de chambres à air de Corée et que même si le taux de droits réduit du TPG était retiré, celle-ci n'en sentirait pas réellement les effets, à supposer qu'il soit démontré qu'il y a eu, ou peut y avoir, préjudice.

La compagnie Canada Tire (Montréal, Québec) détaillant indépendant qui vend des chambres à air importées et fabriquées au pays, s'est aussi opposée à la demande de mesures de sauvegarde.

IMPORTATIONS DE CHAMBRES A AIR

Le total des chambres à air comprend celles importées en vertu du TPG, notamment en provenance de la République de Corée, et celles importées d'autre pays en vertu des tarifs NPF et PB. Les importations consistent en chambres à air pour pneus d'automobiles, pour pneus de camions et d'autobus et pour pneus d'équipement de construction. Les chambres à air pour pneus de machines et de tracteurs agricoles, pour motocyclettes et pour aéronefs sont exclues parce qu'elles ne font pas partie des articles auxquels se réfère la demande ou parce qu'elles correspondent à un numéro tarifaire autre que le 61815-1.

La Goodyear, pour laquelle la production de chambres à air constitue un complètement majeur à ses opérations principales de fabrication, était d'accord lors de l'audience avec les arguments de la Trent. Selon le porte-parole de Goodyear, Mr. Spalding: "... la structure d'évaluation sous laquelle nous avons dû oeuvrer (résultat des importations coréennes) nous a éprouvés et a certainement affecté notre degré de bénéfices ..."(1)

Depuis juillet 1983 la Firestone a cessé sa production de chambres à air au Canada et l'a aménagé dans son usine principale des Etats-Unis. Ceci était conforme aux politiques d'organisation rationnelle d'usines de la compagnie, étant donné que les conditions économiques générales au Canada nuisaient à ses activités, et les importations croissantes de Corée contribuaient à ce malaise. En d'autres mots, lors de ses activités au Canada, le prix des importations coréennes nuisait à la Firestone de la même façon qu'aux deux autres fabricants canadiens de chambres à air, soit la Trent et la Goodyear. (2) La Firestone réitère sa demande tel que l'indique sa participation à l'enquête.

INTERVENTIONS

A la suite du processus d'enquête établi, la Commission a rendu publique la réception de la demande. Il s'en est suivi le dépôt d'interventions de l'Association des fabricants de pièces de véhicules automobiles (APMA), de la Korea Tire Industrial Association et des fabricants coréens de chambres à air pour pneus (exposé coréen) ainsi que de la Canada Tire Company. APMA, située à Toronto (Ontario) a appuyé la demande de mesures de sauvegarde en décrivant l'industrie automobile de Corée comme étant "...à un stade très avancé d'efficacité et de modernisme, non seulement dans le secteur des pièces automobiles comprenant les chambres à air pour pneus mais également dans le secteur des véhicules ...". En conséquence, l'APMA "...a fortement recommandé l'adoption de mesures ..." en vue de retirer à la Corée les avantages du TPG à l'égard des importations de chambres à air pour pneus en vertu du numéro tarifaire 61815-1. (3)

- (1) Transcription, p. 81.
- (2) Transcription, pp. 7, 8, 31, 57.
- (3) APMA, Exposé public.

ceux-ci (prix coréens) n'ont pas varié d'un centime en un an, malgré l'apport d'une majoration additionnelle en ce qui concerne les matières brutes sur le marché mondial. En conséquence, nos prix sont à la baisse depuis les quatre dernières années lorsqu'ils auraient dus être majorés. Nos bénéfices sur les chambres à air en cause sont essentiellement nuls et l'octroi de cette demande s'avèrerait pour nous une amélioration importante. Nous dépendons presque entièrement du marché des chambres à air".(1)

De plus, la Trent a prétendu que les importations de Corée visaient particulièrement les chambres à air de dimensions produites en grand nombre, lesquelles sont aussi les plus affectées par les prix. Les chambres à air plus petites et plus légères sont fabriquées en grande quantité. Selon M. Hay: (traduction) "... plus la chambre à air est pesante, moins sont les probabilités que les (fournisseurs coréens) affichent des prix à la baisse étant donné que le contenu main-d'oeuvre en opposition au contenu matière change considérablement pour les chambres à air plus lourdes".(2) Selon le témoignage de M. Hay (3), en ce qui a trait à la quantité supérieure des chambres à air plus légères, les bénéfices moyens sur les ventes au cours des quatre dernières années se sont détériorés de "... 5-7 pour cent ..." tandis que pour certaines dimensions (quantités moindres) les bénéfices ont augmenté de "... 1 ou 2 pour cent ...".

En ce qui a trait de la majoration marginale de taux de droit occasionné par le retrait du TPG, M. Hay a affirmé qu'un taux de droit additionnel de "... 4 à 5 pour cent ..." dirigerait la compagnie d'une situation "... presque sans bénéfice à ... un niveau de bénéfice qui nous permettrait tout au moins de survivre et de progresser au point de vue productivité".(4) Il a admis que les exportateurs coréens absorberaient peut-être les majorations douanières, mais il en doutait fort. Selon M. Hay "... ils (les fournisseurs coréens) ne retirent présentement aucun bénéfice sur cette marchandise".(5)

- (1) Transcription, p. 80.
- (2) Transcription, p. 79.
- (3) Transcription, p. 79.
- (4) Transcription, p. 87.
- (5) Transcription, p. 88.

La Rubber Association of Canada a vu le jour en 1920 et est située à Mississauga (Ontario). Elle regroupe aujourd'hui 16 fabricants de produits de caoutchouc dont les huit fabricants canadiens de pneus ou de chambres à air. A ce nombre s'ajoutent 25 membres affiliés et quatre représentants de fabricants de pneus étrangers.

Firestone Canada Inc. (Firestone), Hamilton (Ontario), est une filiale de Firestone Tire and Rubber Company, Akron, Ohio (USA). L'usine de Hamilton a cessé de produire des chambres à air en 1983 et le produit est maintenant importé des Etats-Unis. Firestone était un producteur actif au moment de la première présentation de la demande et était donc au nombre des sociétés incluses lorsque la convocation a eu lieu une fois l'enquête anti-dumping terminée. La société continue à appuyer la demande de mesures de sauvegarde.

Goodyear Canada Inc. (Goodyear), Islington (Ontario), une filiale de Goodyear Tire and Rubber Company, Akron, Ohio (USA), s'est constituée en société au Canada en 1927. Les chambres à air sont fabriquées à l'usine de Toronto (Ontario).

Trent Rubber Services (1978) Limited, une société canadienne privée, est située à Lindsay (Ontario). Elle a commencé à produire les articles en question en 1970 et est aujourd'hui le plus gros producteur de chambres à air fabriquées au pays pour le marché canadien. Au cours des dernières années, une faible part de sa production, quoique croissante, a été exportée.

Les deux autres sociétés sont donc maintenant les seules à produire des chambres à air au Canada.

Au cours de l'audience publique, les demandereses -- particulièrement la Trent -- ont affirmé que les bénéfices ont diminué lors des dernières années à cause d'une pression à la baisse exercée sur les prix, jumelée d'une majoration importante du coût des matières brutes. Selon M. David Hay, président de Trent: (Traduction) "Je l'impute (l'effet sur les prix) entièrement aux prix à perte de la Corée du Sud, fait qui a été prouvé, et

La demande s'applique à toutes les chambres à air faisant partie du numéro tarifaire mentionné, à l'exception des chambres à air pour bicyclettes. Les pneus sont également exclus. Les chambres à air pour aéronautes, motocyclettes, instruments aratoires et machines agricoles ainsi que pour tracteurs d'usage strictement agricole correspondent à d'autres numéros tarifaires non visés par la demande. En outre, la demande a trait aux chambres à air importées de Corée qui sont destinées aussi bien au marché du matériel neuf qu'à celui des pièces de rechange.

L'écart entre les taux de droits TPG et NPF, la marge de préférence que les demanderesse désirent voir retirée, se chiffre présentement à 4.4 points de pourcentage. D'ici à 1987, cette marge de préférence sera ramenée à 3.7 points de pourcentage et reflètera les réductions tarifaires graduelles de la NPF consenties lors des Négociations de Tokyo sur le commerce multilatéral.

Le taux TPG est déterminé par une formule qui stipule que le TPG doit être égal au taux PB ou aux deux tiers du taux NPF, suite à un rajustement à la baisse pour tenir compte des décaissements, selon le taux qui est le moins élevé. De là les réductions dans le taux TPG susmentionné au fur et à mesure que le taux NPF diminue tel que prévu. Le taux TPG n'est pas assujéti aux négociations qui constituent une extension unilatérale par le Canada des taux de droits préférentiels accordés à certains pays moins développés. Le taux TPG a été introduit en 1974 pour une période de 10 ans et vient d'être déclaré en vigueur pour 10 autres années, soit jusqu'en 1994.

LES DEMANDERESSES

Il y a trois demanderesse, Firestone Canada Inc., Goodyear Canada Inc. et Trent Rubber Services (1978) Limited, au nom desquelles la Rubber Association of Canada a soumis des mémoires à la Commission.

demande a été représentée le 1^{er} mars 1984. La Commission a étudié la documentation soumise et a déterminé le 26 mars 1984 qu'un préjudice prima facie existait (1) et a ordonné la tenue d'une enquête publique complète.

Cette conclusion prima facie a été publiée dans la Gazette du Canada le 7 avril 1984, ainsi qu'un avis annonçant qu'une audition publique de la demande aurait lieu le 13 juin 1984 à Ottawa (Ontario). En outre, la Commission a envoyé des avis de la date d'audience au pays TPG concerné, en l'occurrence la Corée, aux importateurs et aux autres parties intéressées à cette demande et à son résultat. A la suite de ces avis, des interventions officielles, décrites ci-après, ont été déposées à la Commission comme il se devait.

L'audience publique a été tenue à la date prévue. La liste des personnes présentes apparaît à l'Annexe B. On peut se procurer les transcriptions des témoignages moyennant certains frais au service de transcription.

LES MARCHANDISES EN CAUSE

La demande englobe les chambres à air de caoutchouc qui sont décrites dans le code des marchandises 625-29, faisant partie du numéro tarifaire 61815-1. Le numéro tarifaire se lit comme suit:

Numéro	Tarif-taire	Description des marchandises	Tarif de préférence la nation la plus favorisée	Tarif de préférence générale	Tarif de préférence générale	R.-U. et Irlande
61815-1	Pneus et chambres à air, en totalité ou en partie de caoutchouc	Au 1/1/84 Au 1/1/87 12.9 p.c. 10.2 p.c. 12.9 p.c. 10.2 p.c. 35 p.c. 35 p.c. 8.5 p.c. 6.5 p.c. 12.9 p.c. 10.2 p.c.				

(1) A cette date a débuté la période de six mois prescrite à la Commission pour présenter son rapport au ministre des Finances.

aux taux réduits en vertu du TPG. A mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG à l'égard du produit ou des produits en question permettrait en fait de soulager les producteurs canadiens."

Voir l'Annexe A pour la lettre du Ministre en entier.

Les définitions du GATT auxquelles se réfère le ministre sont à la base de l'enquête et se lisent ainsi: "Le terme 'préjudice' s'entendra, sauf indication contraire, d'un préjudice ... causé à une branche de production nationale, d'une menace de préjudice ... pour une branche de production nationale ou de retard ... dans la création d'une branche de production nationale", (1) et les facteurs en cause sont ceux dont on se sert habituellement dans les analyses économiques dans les domaines de la production, de l'emploi et des ventes.

L'ENQUÊTE ET L'AUDIENCE PUBLIQUE

Au début de 1982, les demandereses Firestone Canada Inc., (Firestone), Goodyear Canada Inc., (Goodyear) et Trent Rubber Services (1978) Limited, (Trent), ont pour la première fois communiqué avec les employés de la Commission concernant leur intention de demander des mesures de sauvegarde à l'égard des importations de chambres à air pneumatiques en provenance de la République de Corée (Corée). En septembre 1982, la Rubber Association of Canada (TRAC) présentait la demande au nom de Firestone, Goodyear et Trent. Celle-ci n'a toutefois pas été prise en considération au cours de l'année 1982 en raison des enquêtes menées en vertu de la Loi antidumping. Le tribunal antidumping ayant statué sur la question du dumping le 21 avril 1983, la

(1) Accord relatif à l'interprétation et à l'application des articles VI, XVI et XXIII de l'Accord général sur les tarifs douaniers et le commerce, Genève, le 12 avril 1979, Partie I, article 2, paragraphe 1 et renvoi.

RENVOI 158
PORTANT SUR LE TARIF DE PRÉFÉRENCE GÉNÉRAL
DEMANDE DE MESURES DE SAUVEGARDE PRÉSENTÉE
PAR FIRESTONE CANADA INC., GOODYEAR CANADA INC.
ET TRENT RUBBER SERVICES (1978) LIMITED
- DEMANDE DE MESURES DE SAUVEGARDE N° 10 -

La Commission, ayant à sa disposition le rapport du président chargé de l'enquête ainsi que les résultats des enquêtes connexes par son personnel, rapporte ce qui suit.

INTRODUCTION

Le présent rapport de la Commission du tarif porte sur le Renvoi 158 ayant trait au Tarif de préférence général (TPG) et vise la demande de mesures de sauvegarde présentée par Firestone Canada Inc., Hamilton (Ontario), Goodyear Canada Inc., Islington (Ontario) et Trent Rubber Services (1978) Limited, Lindsay (Ontario) au sujet d'importations, depuis la République de Corée, de chambres à air pneumatiques destinées à des usages routiers, industriels, agricoles et tout-terrain en vertu du numéro tarifaire 61815-1. Les demanderessees prétendant que ces importations croissent rapidement et que la concurrence en termes de prix menace leurs opérations de production de chambres à air et elles demandent que la Commission retire les avantages préférentiels à l'égard de ces importations.

Le mandat de la Commission relatif à l'audition de la présente demande est précisé dans la lettre du ministre, datée du 24 juillet 1980, dans laquelle on peut lire:

"Je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite de l'application du Tarif de préférence général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée.

Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations

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PORTANT SUR LE TARIF DE PRÉFÉRENCE GÉNÉRAL

DEMANDE DE MESURES DE SAUVEGARDE
PAR FIRESTONE CANADA INC.,
GOODYEAR CANADA INC. ET TRENT
RUBBER SERVICES (1978) LIMITED

— DEMANDE DE MESURES DE SAUVEGARDE N° 10 —
ÉTUDE ET RECOMMANDATIONS

La Commission, ayant pris connaissance du rapport du Président chargé de l'enquête, Monsieur R.K. Mathie, et de la preuve documentaire présentée au soutien de cette demande, soumet dans le présent rapport ses conclusions et ses recommandations conformément à la lettre de renvoi du ministre des Finances.

RENOVI DE
LA COMMISSION DU TABIE

CANADA



RENOVI DE
PORTANT SUB LE TABIE DE PREFERENCE GENERAL
DEMANDE DE MESURES DE SAUVEGARDE
PAR PRESTON CANADA INC.
GOODYEAR CANADA INC. ET TRINT
QUINTE SERVICES (1971) LIMITED
— DEMANDE DE MESURES DE SAUVEGARDE N° 10 —
ETUDE ET RECOMMANDATIONS

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REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION

BY MOBIL CHEMICAL CANADA, LTD., FILMS DIVISION

— SAFEGUARD PETITION NO. 11 —

REVIEW AND RECOMMENDATION



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REFERENCE 158

RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION

BY MOBIL CHEMICAL CANADA, LTD., FILMS DIVISION

— SAFEGUARD PETITION NO. 11 —

REVIEW AND RECOMMENDATION

The Board, having considered the report of its Hearing Officer, Mr. R.K. Matthie, and other material evidence with respect to this petition, submits its conclusions and recommendation in this report, pursuant to the reference by the Minister of Finance.

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REFERENCE 158
RELATING TO THE GENERAL PREFERENTIAL TARIFF

PETITION FOR SAFEGUARD ACTION BY
MOBIL CHEMICAL CANADA, LTD., FILMS DIVISION
- SAFEGUARD PETITION NO. 11 -

The Board, having before it the report of its Hearing Officer and the results of the related staff's inquiries, reports as follows.

INTRODUCTION

This report of the Tariff Board is made pursuant to Reference 158 relating to the General Preferential Tariff (GPT), and concerns the petition for safeguard action by Mobil Chemical Canada, Ltd., Films Division, Belleville, Ontario, with respect to imports of biaxially oriented polypropylene film, from countries entitled to the benefits of the lower duty under the GPT. The petitioner has submitted that these importations have injured its production and sales of biaxially oriented polypropylene film with the rapid rise in their volume and their pressure on prices, and has petitioned the Board for a withdrawal of the preferential tariff for such imports.

The Board's terms of reference for the hearing of this petition are outlined in the letter of July 24, 1980, from the then Minister of Finance, which states in part:⁽¹⁾

"I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury.

If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as

(1) See Appendix A for the full text of the Minister's letter.

those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers."

Although the General Preferential Tariff, being a unilateral arrangement, lies outside the purview of the General Agreement on Tariffs and Trade, the Board's consideration of injury is expected by the Minister "to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties".⁽¹⁾ Such factors include: "actual and potential decline in output, sales, market share, profits, productivity, return on investments, or utilization of capacity; factors affecting domestic prices; actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital or investment and, in the case of agriculture, whether there has been an increased burden on government support programmes".⁽²⁾ The Code specifies that this list "is not exhaustive, nor can one or several of these factors necessarily give decisive guidance". In further elaboration of the Board's mandate, the Minister informed the Board that he "would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT" and that: "The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers".

(1) Letter of reference dated July 24, 1980, to the Chairman of the Tariff Board requesting the Board, pursuant to section 4(2) of the Tariff Board Act, to conduct an inquiry into a number of matters relating to the General Preferential Tariff.

(2) GATT Code on Subsidies and Countervailing Duties: Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement on Tariffs and Trade (Geneva, 1979), p. 15; also Revised GATT Anti-dumping Code: Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade (Geneva, 1979), p. 8.

Assuming that the Board is able to satisfy itself fully on the matter of injury, it must then determine the most appropriate course of safeguard action to recommend. The Board may recommend, as a permanent or temporary measure, the withdrawal of GPT benefits in relation to the products of one or all of the beneficiary countries. Such a recommendation may encompass not only products identical to those for which protection has been sought, but other similar and directly-competitive goods as well. In the event that the total withdrawal of GPT benefits is recommended, the relevant goods would then become dutiable at current BP or MFN rates, as applicable. In the case of a partial withdrawal of benefits, the Board might suggest a GPT rate above that currently in effect but below that currently applicable under the BP and MFN Tariffs. A further possibility is the imposition of a tariff rate quota in respect of imports from one or more countries entitled to the benefits of the General Preferential Tariff. In that event, imports up to a pre-determined level would be admitted in any period of twelve consecutive months at the existing GPT rate; subsequently, BP and MFN tariff rates would apply.

Temporary safeguard actions imply the probable need for a review process at some future stage. In anticipation of this requirement, the Minister of State for Finance wrote to the Chairman of the Tariff Board on February 10, 1984, asking the Board, pursuant to section 4(2) of the Tariff Board Act "to collect any relevant information relating to a safeguard measure under the GPT while it is in effect". At the same time, the Board was instructed "to receive and review petitions which may be made by interested parties relating to the future status of the measure and to report to the government on these petitions".⁽¹⁾ Guidelines developed by the Board require that such petitions be received not later than six months prior to the due date of the Board's report. The Board is required to submit its report to the Minister at least 60 days prior to the scheduled expiration of the safeguard action. If no petition is received by the Board, the safeguard measure is allowed to lapse on its scheduled expiry date.

(1) In a subsequent letter, dated May 30, 1985, these instructions were further clarified with particular reference to safeguard measures pertaining to rubber footwear and colour television receiving sets.

THE PROCESS OF INQUIRY AND THE PUBLIC HEARING

The petitioner, Mobil Chemical Canada, Ltd., Films Division, submitted a petition for safeguard action against imports of biaxially oriented polypropylene film in May, 1985. The Board reviewed the submission and determined on June 13, 1985, that a prima facie case of injury existed⁽¹⁾ and ordered a full public inquiry to commence.

This prima facie finding was published in the Canada Gazette of June 29, 1985, together with a notice that a public hearing of the petition would be held on September 4, 1985, in Ottawa, Ontario. The Board also sent notices of the public hearing to GPT countries, and to importers and other parties interested in the petition and its outcome. As a result of these notifications, further submissions, as described later, reached the Board.

The public hearing was duly held on the appointed day. A list of those in attendance appears in Appendix B. A transcript of the proceedings of the public hearing is available at cost from the transcription service.

THE GOODS AT ISSUE

The petition concerns biaxially oriented polypropylene film (hereafter referred to as BOPP film), as covered by CITC 424-53-20, "Polypropylene film .01 inch or less thick". A second CITC, viz., 424-53-30, refers to "Polypropylene sheet over .01 inch thick". However, the petitioner has testified⁽²⁾ that CITC 424-53-20 alone covers the product with which they are concerned, although, as shown later, the analysis included imports classified to the second CITC as well.

The goods under review enter under tariff item 93902-84 of the chemicals and plastics provisions of Schedule "A" of the Customs Tariff. The heading preceding the particular tariff item of concern is given below:

(1) On this date the six months' period commenced within which the Board must submit its report to the Minister of Finance.

(2) Transcript pp. 10-11.

93902 - Polymerisation and copolymerisation products (for example, polyethylene, polytetrahaloethylenes, polyisobutylene, polystyrene, polyvinyl chloride, polyvinyl acetate, polyvinyl chloroacetate and other polyvinyl derivatives, polyacrylic and polymethacrylic derivatives, coumarone-indene resins):

(g) Plates, sheets, film, sheeting, strip; lay-flat or other tubing, blocks, bars, rods, sticks, non-textile monofilament and other profile shapes imported in lengths, all produced in uniform cross-section:

The tariff item at issue, 93902-84, is detailed below.

<u>Tariff Item</u>	<u>Description</u>	<u>British Prefer- ential Tariff</u>	<u>Most Favoured- Nation Tariff</u>	<u>General Tariff</u>	<u>General Prefer- ential Tariff</u>	<u>U.K. and Ireland</u>
93902-84	Polypropylene type	14.5 p.c.	14.5 p.c.	25 p.c.	9.5 p.c.	14.5 p.c.

The petition covers all types of BOPP film properly classified under this item and to CITC 424-53-20, i.e., biaxially oriented polypropylene film .01" or less thick. However, goods classifiable to CITC 424-53-30, or polypropylene sheet over .01" thick, also enter under tariff item 93902-84, and have done so in small quantities during the period under review. Moreover, according to industry sources, there is no firm demarcation line between "film" and "sheet". Therefore, BOPP film classified for statistical purposes under CITC 424-53-30 which entered under tariff item 93902-84 has been included in this study as well, although the main commodity class of concern is 425-53-20.

In the domestic industry, the thickness of the film is expressed in either thousandths of an inch and referred to as "mils", or by gauge. However, the general practice, according to the petitioner,⁽¹⁾ is to refer to thickness in terms of a "mil" which is equivalent to .001 inch (one thousandth of an inch). At the same time, 1 mil can be referred to as "100 gauge". Thus, e.g., 70 gauge film is equivalent to .7 mil, the latter being the usual descriptive term.

(1) Transcript p. 12.

BOPP film has steadily replaced cellophane as the product of choice in packaging and wrapping, and in industrial uses such as tapes, its advantage being that it is a more flexible packaging product with extensive moisture barrier characteristics. It is also replacing glassine, paper and similar flexible packaging materials.

The product comes in uncoated and coated form. The uncoated variety is used, for example, in the industrial non-packaging market. When coated, it provides an additional barrier to oxygen penetration and is thus more moisture sensitive, resulting in a longer shelf life of goods so packaged. Other uses include overwrap for cigarette packs and cartons, pressure sensitive tape for carton-sealing, as well as in other non-packaging industrial markets, in both coated and uncoated forms.

The differential between the GPT and MFN rates of duty, the margin of preference which the petitioner requests be withdrawn, amounts currently to 5.0 percentage points. By 1987, this margin of preference will diminish to 4.5 percentage points, reflecting the gradual MFN tariff reductions agreed upon at the Tokyo Round of Multilateral Trade Negotiations.

The GPT rate in question is determined by a formula which provides that the GPT shall be equal to the BP rate, or to two-thirds of the MFN rate, whichever is the lesser.⁽¹⁾ Therefore, as the MFN rate declines as scheduled the GPT rate will be reduced as well. The GPT is not subject to negotiation, being a unilateral extension by Canada of preferential rates of duty to selected less developed countries. The system was introduced in 1974 for a ten-year period, and has now been extended until 1994.

THE PETITIONER

Mobil Chemical Canada Ltd., Films Division, (Mobil), a subsidiary of Mobil International Finance Corporation, New York, New York, U.S.A., commenced its BOPP film operations in Canada in 1981 at a plant located in Belleville, Ontario.

(1) The Customs Tariff, section 3.1(2)(a) and (b).

In 1984, the plant was expanded, at a cost of \$8 million, by adding a state-of-the-art facility to produce coated BOPP film. The coating applied at the new plant is acrylic, e.g., polyvinylidene chloride (PVDC), which adds a further oxygen/moisture barrier and additional machining properties to the finished product.

Mobil uses what is described as the "tenter frame" or "flat sheet" process of manufacture. This process reduces the film to required thickness by stretching the basic film over a series of rollers, after which it is stretched in the transverse direction in a tenter frame. Hence the description "biaxially oriented".

A second process -- not employed by Mobil -- is referred to as the "tubular" or "blown" process. This is discussed below in the paragraphs covering the operations of Canada's only other producer of BOPP film, Hercules Canada Inc, (Hercules).

The Mobil plant was established almost exclusively to serve the needs of the Canadian market. Not all types or kinds of BOPP film, however, are produced at Belleville. A substantial quantity is imported from the parent firm in the United States for which volume does not justify domestic production. In addition, when the lead time is insufficient to fill an order from the Canadian plant, on occasion, supplies may be imported also from Mobil U.S.

The brief submitted by Mobil claims that the recent sharp increase in imports of BOPP film, originating in the Republic of Korea (Korea) and the Philippines, have grown in the last year much more rapidly than the Canadian market for such film. The results, it is submitted, have been: (a), price suppression, whereby "low cost" imports inhibit warranted price increases to a level that would counteract rising production costs; and; (b), price erosion, a situation in which prices have been forced down by import competition below a level at which they would have otherwise been. The Mobil brief states: "This price erosion is entirely attributable to the incursion of low-priced

GPT (primarily Korean) imports in significant volumes ..., and the severe price competition that has resulted in the Canadian market as the imports have succeeded in taking market share."⁽¹⁾

According to the Mobil brief, the adverse effect on pricing has been felt in two areas of particular concern, which are: (a) "... the flexible packaging segment of the market, which has traditionally generated higher margins than the tape and industrial markets";⁽²⁾ and, (b), the erosion of the traditional premium that coated BOPP film products command which, considering the recent investment of \$8 million in coating facilities, could impact severely on financial results. The effect on domestic pricing first came to the company's attention in late 1984.

In addition, Mobil said that the increased GPT import volume impacts adversely on production in Canada because it "... represents business which would otherwise have gone to domestic producers",⁽³⁾ as opposed to an increase in imports from non-GPT countries which "... have established traditional markets in Canada, of essentially a captive nature" ...⁽⁴⁾ On the other hand, the "... increase in BOPP imports which is attributable to GPT importers has been destined for that part of the market in which the two domestic producers of BOPP actively compete".⁽⁵⁾ The reference to "captive markets" for non-GPT imports is in the context of shipments to subsidiaries in Canada for further processing (e.g., from the United Kingdom, Italy and, in the case of the United States, to the two Canadian manufacturers); or of specialty films from Japan for a small, select market for such finished products.

(1) Mobil brief, p. 17.

(2) Ibid, p. 19.

(3) Ibid, p. 9.

(4) Loc. cit.

(5) Ibid, pp. 9-10.

OTHER INTERESTED PARTIES

Hercules Canada Inc., Mississauga, Ontario (Hercules), Canada's only other manufacturer of biaxially oriented polypropylene film, submitted a brief in support of Mobil's petition for safeguard action. The brief states that "Hercules Canada adopts the submission made on behalf of Mobil Chemical Canada, Ltd."⁽¹⁾

Hercules Canada Inc., is a subsidiary of Hercules Incorporated, Wilmington, Delaware, U.S.A., and, like Mobil, began producing BOPP film in Canada in 1981, using state-of-the-art facilities, at a plant located in Varennes, Quebec.

Hercules uses both the tenter frame (see above discussion on Mobil production) and the bubble process (also referred to as the "tubular" or "blown" process).

Hercules' output of BOPP film comprises most types and varieties covered by the petition. Some imports from its U.S. parent plant occur when Hercules in Canada is not capable of supplying the small quantities needed for the limited market in Canada. On the other hand, Hercules has a mandate to produce certain types of BOPP film for the world market.

According to both Mobil and Hercules, the Korean facilities for BOPP film are world-scale, and they also have state-of-the-art equipment. In addition, the Hercules brief contends that Korean manufacturing facilities have doubled in size over the last two years and are now 2 1/2 times the size of Canadian production and seven times larger than Hercules Canada.⁽²⁾ Both Canadian briefs refer to the cost advantage enjoyed by Korean producers in the purchase of polypropylene resin, the basic raw material. That is, the Korean manufacturers purchase resin at world prices, and under a government re-export program do not pay import duty when such resin is used for export in finished product form. Due to over-supply on the world market, it is alleged that

(1) Hercules brief, p. 1.

(2) Ibid, brief, p. 3.

world prices are considerably depressed and well below the price, at present, for Canadian made resin.⁽¹⁾ Both Mobil and Hercules utilize higher-priced Canadian resin only, including the resin used in Hercules' extensive export sales of BOPP film, for reasons related to production logistics, price stability and quality control.

Thus, both parties contend that the world-scale production facilities and the purchase of resin at world prices allows Korean producers to "... compete cost effectively (in the Canadian market) without the benefit of GPT status".⁽²⁾

With respect to Philippine production of BOPP film, it has been submitted that the Philippine facilities are world-scale as well and therefore are "... well in excess of domestic requirements".⁽³⁾ Furthermore, resin is also available to the Philippines at the lower world price. Mobil estimates that the only Philippine producer has capacity of 10-12 million pounds which is comparable to the output of their Belleville plant.⁽⁴⁾

The Korea Trade Centre, Toronto, submitted a brief on behalf of the Korean producers STC Incorporated and Samyung Chemical Co., Ltd. As well, a brief was received from the Embassy of Brazil representing producers in Brazil. Both parties argued for the continuation of the GPT rate of duty on the BOPP film covered by the petition as its elimination would not provide significant relief to Canadian producers. Neither party made oral presentations at the public hearing.

It is the Korean position that imports of BOPP film from that country are exceedingly minor and thus do not represent a disrupting factor in the Canadian market. Although acknowledging an increase in percentage terms in GPT imports, particularly for the first half of 1985, it is contended that the increase is minimal when compared to the absolute increase in imports from non-GPT countries.

(1) cf. Mobil, op. cit., pp. 12-15, and Hercules, op. cit., p. 3.

(2) Hercules, op. cit., p. 4.

(3) Ibid, p. 3 and Mobil, op. cit., pp. 13-14 in particular.

(4) Mobil, op. cit., p. 13.

The Korea Trade Centre also argues that "... there are additional non-tariff barriers which limit the potential for significant penetration of Korean polypropylene film exports to Canada".⁽¹⁾ These are: (a), the "lead time" factor; and, (b), the financing of shipments.

It is contended that BOPP film orders from Korea require a minimum of 90 days lead time between the date of order and the receipt of the landed product in Canada. The alternative is to stock inventory. However, this is expensive and, to quote from the Centre's brief, "... not conducive to 'Just in Time' production systems. In addition, modifications to specifications of inventoried film is costly and in most cases impossible to undertake."⁽²⁾

The second factor put forth by the Centre, financing, involves the use of irrevocable Letters of Credit to finance imports which, the brief alleges, requires the allocation of capital to finance the purchase for up to 90 days in advance of receipt of the goods. On the other hand, Canadian producers deliver on credit terms of 30 or more days from the date of delivery. Therefore, it is held that financing charges are greater on imports and thus diminish the preference gained from the GPT rate.

The Brazilian brief argued that imports of BOPP film from GPT countries in general are not significant, and that suppliers from developed countries, enjoying MFN rates, have dominated, and in some cases are increasing, their share of the Canadian market. The Embassy of Brazil points to the fact that shipments from Brazil have, according to Statistics Canada figures, occurred only in 1984 and amounted to 3 tonnes. Finally, it was stressed that Brazilian production is mainly for domestic consumption with the surplus exported almost entirely to West Germany, Australia and Latin America. Thus, the brief concludes that: "For the above reasons, the Government of the Federative Republic of Brazil submits to the Tariff Board that no change should be effected to the current GPT rate for imports of the subject goods."⁽³⁾

(1) Brief, p. 1.

(2) Brief, pp. 2-3.

(3) Brief, p. 3.

The Board received no written or oral presentations from or on behalf of the Philippine producers.

IMPORTS OF BIAXIALLY ORIENTED POLYPROPYLENE FILM

Total imports comprise shipments of BOPP film, entering under the GPT from Korea, the Philippines, Brazil and others, and of BOPP film from countries under the MFN and BP tariffs. Aggregate imports have not been broken down by type or by use, e.g., coated, uncoated, tape, industrial, etc., as the petition covers the broad spectrum of all biaxially oriented film properly entered under tariff item 93902-84. The data include the combined commodity classes 424-53-20 (polypropylene film .01" or less thick) and 424-53-30 (polypropylene sheet over .01" thick), as already explained. Detailed analysis indicates that virtually all of the BOPP film imported from GPT countries has so far been of the uncoated variety, most of which was for flexible packaging. This also reflects the petitioner's contention that uncoated BOPP film for flexible packaging was the main concern arising from GPT imports.

Imports into Canada of BOPP film, as summarized in the following table, totalled 18,206,200 pounds in 1981. The corresponding total dropped in 1982 to 12,970,900 pounds. However, since the end of 1982, the volume of total imports has risen steadily, and for the period January-July, 1985, the level reached 12,187,794 pounds, up by 34.4 per cent from the 9,065,000 pounds for the same period in 1984. By the end of 1985, it is projected on the basis of the January-July period for 1985 that the volume of total BOPP film imports will be approximately 20,893,000 pounds, compared with 18,603,600 pounds for 1984.

Non-GPT imports represented 100 per cent of all imports in 1981. By the end of the first seven months of 1984, they accounted for 98.9 per cent of imports. Moreover, with the advent of GPT imports in relatively substantial quantities beginning in the latter half of 1984, the share of total BOPP film imports for the first seven months of 1985 sourced in non-GPT countries slipped to 94.4 per cent. In absolute terms, the volume of non-GPT imports continued their upward trend, moving from 9,013,800 pounds in January-July

1984 to 11,501,400 pounds in the same period of 1985 or an increase of 27.6 per cent. Of the increase in total BOPP imports during the first seven months of 1985 of 3,122,794 pounds, non-GPT sources accounted for 2,487,600 pounds or more than four-fifths of the total.

Major non-GPT sources of supply are the United States (76.1 per cent of 1984 total non-GPT import volume) and Japan (10.1 per cent of that volume). The remainder is accounted for by imports from Italy, the U.K., etc. Shipments from the United States include inter-company transfers by Mobil and Hercules. Total Canadian imports of BOPP film from the United States were 10,646,600 pounds in 1983. In the following year, the corresponding figure rose to 14,006,300 pounds. Most recent data for 1985 indicate that imports by Mobil and Hercules declined while total U.S. sales in Canada continued to rise.

TABLE 1

GPT AND NON-GPT IMPORTS, 1981-1985

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>Jan-July 1984</u>	<u>Jan-July 1985</u>
<u>Volume ('000 lbs.)</u>						
GPT	-	1.4	14.3	204.0	51.2	686.4
Non-GPT	18,206.2	12,969.5	15,284.6	18,399.6	9,013.8	11,501.4
Total Imports	18,206.2	12,970.9	15,298.9	18,603.6	9,065.0	12,187.8
 GPT Imports as % of Total Imports						
	-	*	0.1	1.1	0.6	5.6
 <u>Value (\$'000)</u>						
GPT	-	4.8	15.6	214.1	71.8	627.5
Non-GPT	25,148.3	18,800.7	23,568.9	30,399.6	15,453.3	18,633.1
Total Imports	25,148.3	18,805.5	23,584.5	30,613.7	15,525.1	19,260.7
 GPT Imports as % of Total Imports						
	-	*	*	0.7	0.5	2.9

Source: Statistics Canada and the Tariff Board.

GPT Imports

GPT imports were first recorded in 1982 at 1,400 pounds. The total increased to 14,300 pounds in 1983. In 1984 however, the level of imports from GPT sources jumped to 204,000 pounds, with most of the increase occurring in the latter six months, which corresponds to the petitioners' claim of when pricing effects were first felt. Shipments from GPT sources in the first seven months of 1985 reached 686,394 pounds, almost 13 times as much as in the same period in 1984. The GPT increase of 635,194 pounds in early 1985 over the same period in 1984 accounts for 20.3 per cent of the rise in the volume of BOPP film shipments to Canada from all sources for that period.

Korea is the major source of GPT imports, followed by the Philippines. In 1984, Korean shipments to Canada totalled 110,700 pounds, an amount already exceeded in the first quarter of 1985. By the end of July, 1985, the figure stood at 406,035 pounds, compared to 15,300 pounds for the same period of 1984. The increase of 390,735 pounds attained by Korea represents 12.5 per cent of the expansion in total imports from world-wide sources for that period, reflecting the rapid growth of Korean sales to Canada.

The Philippines, from whom imports were first recorded in 1984 at 87,600 pounds, also registered a substantial increase in the January-July 1985 period, reaching 247,034 pounds.

Other producing GPT countries, such as Brazil and Mexico, have made small, sporadic, shipments to Canada prior to 1984. During the first seven months of 1985, some of those, together with new Far Eastern suppliers, have sold small quantities in the Canadian market as well. Overall then, on the basis of a comparison between January-July 1984 and 1985, GPT imports would account for 5.6 per cent of total imports in the latter year as compared with 0.6 per cent in 1984. Although the Board did not obtain data on total imports of uncoated flexible packaging BOPP film, it is clear that GPT sources have captured a larger share of this smaller more specific import market.

THE CANADIAN MARKET, CANADIAN DOMESTIC
SALES AND IMPORT COMPETITION

There are only two manufacturers of BOPP film in Canada and, therefore, production, sales and similar data submitted in confidence to the Board cannot be revealed without breaching confidentiality. As a result, much of the discussion which follows has been cast in qualitative rather than quantitative terms.

Both Mobil and Hercules commenced production of BOPP film in Canada in 1981. Output trebled by 1982 and grew further about three times over the next two years. However, preliminary indications are that Canadian production of BOPP film is slowing down in 1985.

A sizeable and increasing volume of BOPP film has since the inception of production been exported. However, the bulk of Canadian output is sold in the domestic market.

Domestic disappearance, or consumption, of BOPP film almost doubled in volume between 1981 and 1984. Early indications, though, show that the recent expansion has slowed down in 1985, and demand for the year as a whole may well fall below the level attained in 1984.

Prior to commencement of Canadian production, imports of BOPP film furnished all this country's domestic needs. Subsequently, domestic producers have captured an increasing share of the domestic market. In 1984, the Canadian industry supplied over one half of domestic requirements. This share appears to have been reduced somewhat in 1985 as total imports of BOPP film increased.

Up until 1982, non-GPT imports were the sole off-shore source of BOPP film entering the Canadian market. In 1984, however, shipments from GPT countries, notably Korea and the Philippines, appeared in significant commercial quantities in Canada. The growth of such imports accelerated significantly in the latter part of 1984 and into 1985. The penetration of

the Canadian market by suppliers benefitting from the GPT expanded more than five-fold during that time span and is now equal to more than one tenth of the share of the Canadian domestic disappearance held by non-GPT imports.

A significant proportion of domestic production consists of uncoated BOPP film used in flexible packaging. During the years in question, output of such film grew at a faster pace than the manufacture of other types of BOPP film. Imports of uncoated BOPP film from GPT countries for use in flexible packaging appear to account for most of supplies which enter Canada from such sources. As a result, the adverse impact upon domestic producers of rapidly expanding GPT imports is much more pronounced when compared with the domestic output of BOPP film used in flexible packaging than when measured against the total Canadian production of BOPP film, i.e., of film of various types and for various end uses.

PRICES AND THE IMPACT OF GPT IMPORTS

It is acknowledged that there is not a significant difference in quality between the domestic BOPP film and the product imported under the GPT. The competition turns predominantly on prices.

Due to the short period of time which has elapsed since the appearance of BOPP film from GPT countries on the Canadian market, the Board's analysis of prices obtained from confidential import documents did not provide price series for each specific type of the imported film in question. The number of shipments under the GPT thus far has been small and has generally comprised different thicknesses, and therefore did not permit price comparisons over time for like or similar goods. There were two exceptions, namely, uncoated 20 micron (80 gauge) film from Korea, and a similar product imported from the Philippines. Average unit prices of all GPT imports, including shipments of the 20 micron film, were also considered.

Twenty micron film imported from Korea and the Phillipines showed a decline in prices, the former in December 1984 of 9.0 percent and the latter of 5.0 percent, as the total volume of GPT imports increased.

Table 2 shows that the average price of Korean BOPP film exported to Canada increased by approximately 7.3 per cent in 1984. However, during the first seven months of 1985, unit values of the Korean product were 17.1 per cent lower than the average for 1984. Average unit values of imports of BOPP film from the Phillipines remained unchanged. For GPT imports from Korea and the Phillipines combined, the unit values for uncoated BOPP film used in flexible packaging were 13.3 per cent lower in 1985, an evidence that GPT imports constituted considerable downward pressure on domestic BOPP prices.

The downward price pressure is confirmed as the average price of uncoated flexible packaging film of Mobil declined in 1985. This price suppression and price erosion in the face of rising costs have contributed to a sharp reduction for the petitioner in net income before taxes for the uncoated BOPP film. The other two major product groups, namely, coated BOPP film and BOPP film for pressure-sensitive tape and other industrial applications exhibited a better price and profitability performance.

Similar detailed data were not obtained for Hercules. However, according to its confidential brief, that Canadian producer experienced similar pressure on its prices of BOPP film for flexible packaging.⁽¹⁾

TABLE 2

BIAXIALLY ORIENTED POLYPROPYLENE FILM
AVERAGE PRICES OF GPT IMPORTS
\$/lb.

	<u>1983</u>	<u>1984</u>	<u>Jan-July</u> <u>1985</u>
Korea	1.09	1.17	0.97
Philippines	-	0.85	0.85
Average: All GPT Imports	1.09	1.05	0.91

Source: The Tariff Board.

(1) Brief, p. 2.

For total output, the average price realized by the petitioner remained the same from 1983 to 1984. However, during the first seven months of 1985 prices rose, reflecting in part a shift from tape film to higher-priced coated film. The overall profitability performance in 1985 was below that for 1984, but it was still above the level of 1983.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Imports of biaxially-oriented polypropylene film under the GPT column of Tariff Item 93902-84 first occurred in 1982 and have grown rapidly since that time to over 200 thousand pounds in 1984, and to 762 thousand pounds in the period January-October 1985. Imports of this product under the General Preferential Tariff originated primarily in the Republic of Korea and the Philippines, with the former being the source of the larger volume. Small amounts have also been shipped from Hong Kong and the People's Republic of China.

Uncoated BOPP film of thickness of less than 100 gauge, for use as flexible packaging has made up the bulk of the GPT shipments. Small volumes of film for pressure sensitive tape and other industrial applications entered under the GPT as well. The Board was unable to uncover any GPT imports of coated BOPP film.

Korean and Philippine suppliers operate facilities with the same or greater capacity than that of either of the two Canadian producers. Combined, they have the capability to produce a volume of BOPP film far exceeding the capacity of the domestic industry and the total requirements of the Canadian market. The capacity of those suppliers exceeds their own domestic requirements so that a substantial amount of their output is available for export to world markets. Producers in these GPT countries have access to polypropylene resin, the basic film material, at more favourable prices than Canadian producers, pay lower wages and use similar technology.

Output of BOPP film by the Canadian producers, after commencement of operations in 1981, expanded rapidly. However, the rate of growth in production has levelled out in 1983 and 1984, and has actually declined during the first seven months of 1985 from the level in the same period of the previous year. This contraction reflected a softening in demand, after years of uninterrupted growth of domestic consumption of BOPP film, and an increase in import penetration by MFN as well as GPT suppliers.

The proportion of the domestic market met by imports from all sources in the period January-July, 1985 was 52.6 per cent, up from 41.8 per cent in 1984. Imports from non-GPT countries supplied 49.6 per cent of the domestic market and GPT countries 3.0 per cent. Although GPT imports, virtually all for flexible packaging, have grown very rapidly they are small in terms of the Canadian market for all BOPP film and as a proportion of total BOPP film imports. Such imports, however, are equivalent to 15 per cent of domestic output of uncoated flexible packaging film.

During the latter part of 1984 and 1985, the average price of imports from Korea and the Philippines declined, resulting in a lower domestic prices for uncoated BOPP film for flexible packaging. There was no evidence of such price suppression and erosion for film for tape and other industrial applications and for coated BOPP film. Profitability of the petitioner Mobil for uncoated flexible packaging film declined during this period as well.

The Board, therefore, concludes that GPT imports of uncoated biaxially-oriented polypropylene film 100 gauge or .001" or less in thickness have caused injury, primarily in the form of price suppression and erosion and lower profits to Canadian producers of these goods. Moreover, it is satisfied that withdrawal of the General Preferential Tariff for uncoated BOPP film for flexible packaging would provide significant relief to Canadian producers. Further the Board is concerned about the production and export capacity available in Korea and the Philippines and the possibility of substantial and significant GPT import penetration of the domestic market for this polypropylene film.


The Board, therefore, recommends as follows:


1. that the GPT rate of 9.5 p.c. now provided under tariff item 93902-84 be withdrawn for a period of three years for uncoated biaxially-oriented polypropylene film with a thickness of .001 inch or less, and,
2. that tariff item 93902-84 be replaced with the following:

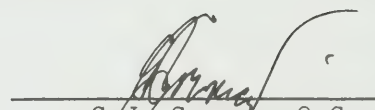
		<u>British</u> <u>Prefer-</u> <u>ential</u> <u>Tariff</u>	<u>Most</u> <u>Favoured-</u> <u>Nation</u> <u>Tariff</u>	<u>General</u> <u>Tariff</u>	<u>General</u> <u>Prefer-</u> <u>ential</u> <u>Tariff</u>	<u>U.K. and</u> <u>Ireland</u>
93902-84	Polypropylene type	14.5 p.c.	14.5 p.c.	25 p.c.	9.5 p.c.	14.5 p.c.

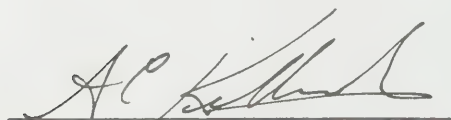
Biaxially oriented
polypropylene
film, uncoated,
thickness of
.001 inch or
less

(Temporary tariff
item: see Ap-
pendix 1)



D.R. Yeomans
Chairman

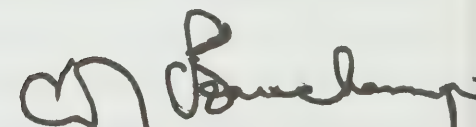

Jean P. Bertrand
First Vice-Chairman


G.J. Gorman, Q.C.
Second Vice-Chairman


A.C. Kilbank
Member


K.C. Martin
Member


R.K. Matthie
Member


C.N. Beauchamp
Member

APPENDIX A

THE MINISTER'S LETTER OF REFERENCE

July 24, 1980

Mr. John A. MacDonald
Chairman
Tariff Board
365 Laurier Avenue West
Ottawa, Ontario
K1A 0G7

Dear Mr. MacDonald:

I am writing to ask the Tariff Board to study and report under section 4(2) of the Tariff Board Act on a number of matters relating to the General Preferential Tariff (GPT).

The Canadian GPT was implemented in 1974 as part of an international system of tariff preferences designed to assist developing countries to expand their exports of manufactures and semi-manufactures to developed country markets. The preferential rate on industrial products covered by the Canadian scheme is established by legislation at two-thirds of the Most-Favoured-Nation (MFN) rate of duty or the British Preferential (BP) rate, whichever is lower. Specific preferences have also been established for selected agricultural products. Most textile products, leather footwear and certain electron tubes and parts were excluded from the coverage of the GPT by Order in Council under the safeguard clause because of the particular sensitivity of Canadian production in these sectors to import competition.

Since it came into effect in 1974, the GPT has been the subject of numerous and often conflicting representations. On the one hand, developing countries seeking to improve their competitive position vis-a-vis developed countries in the Canadian market have requested that preference under the GPT be improved and also that the product coverage of the scheme be expanded. Most recently developing countries have expressed concern that the lowering of MFN tariff rates as a result of the multilateral trade negotiations (MTN) will yield smaller margins of preference for developing countries under the GPT than at present. They are seeking further improvements to the Canadian scheme so that their relative competitive position in the Canadian market will be enhanced or, at least, maintained.

On the other hand certain Canadian producers have expressed dissatisfaction and concern over the granting of preferential access to the Canadian market for developing countries. They argue that for many products these countries no longer need preferential access to compete in the Canadian market and that Canadian production and employment may be threatened by these preferences. Canadian producers have also alleged that the current safeguard provisions under the GPT are inadequate and do not allow for prompt consideration and open review of petitions for withdrawal or suspension of preferences.

In response to these latter representations and in order to be in a position to consider improvements to the GPT, the government will be introducing legislation to change the safeguard provisions of the GPT legislation. These changes will be designed primarily to facilitate the review of petitions from Canadian industry for withdrawal or suspension of the GPT preference on particular products from either one or all GPT beneficiaries. The proposed changes would include a provision to allow Canadian producers to petition the Tariff Board directly to determine whether imports at GPT rates are causing or threatening to cause them injury and, in the case of a positive finding, to recommend appropriate safeguard action to the government. Authority for the Governor in Council to establish tariff rate quotas, on the recommendation of the Tariff Board, as an alternative to outright exclusion of products from the GPT, would also be provided for in the amended GPT legislation. (Under a tariff rate quota the MFN tariff rate would be automatically restored when imports at the preferential rate reach a predetermined level). These changes should, if implemented, reassure Canadian producers that their requests for safeguard action will be given prompt consideration under procedures which allow for extensive input by, and consultation with, Canadian industry. At the same time, developing countries or their representatives would have the opportunity to make representations to the Board on any petition for safeguard action.

I recognize, however, that legislation will take time and that Canadian producers have an immediate concern. I would therefore like to meet that concern as far as possible within the context of existing legislation. Accordingly, I direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act to conduct an inquiry into any submission it receives from a Canadian producer to the effect that the producer has suffered or may suffer injury as the result of the General Preferential Tariff, where the Board is satisfied that there is a prima facie case of injury. If the Board should decide to proceed with an inquiry I would not expect it to recommend safeguard action unless it were fully satisfied that there is actual injury to Canadian producers or an actual threat thereof due to imports at the reduced rates of duty under the GPT. I would expect the Board to take into account those economic factors generally recognized as relevant to a determination of injury such as those contained in the GATT Anti-dumping Code and the Code on Subsidies and Countervailing Duties. The Board should, in its inquiry, also attempt to establish whether withdrawal of the GPT on the product or products concerned would in fact provide significant relief to the Canadian producer or producers. The Board shall report its findings to me within six months of commencing its inquiry together with its recommendations as to whether in the particular instance the General Preferential Tariff should be withdrawn in whole or in part. If as the inquiry proceeds the Board is satisfied that there is a situation requiring urgent action, it shall make an interim report and recommendation prior to its final report and recommendation. In addition to the views of Canadian producers the Board should, in carrying out the inquiry, invite and take into account the views of the exporting beneficiary country or countries, exporting firms or representatives thereof as well as Canadian importers and consumers.

Given the reassurances that will be provided Canadian producers upon implementation of the proposed changes to the safeguard provisions, and bearing in mind the results of the MTN, the government also considers it timely and appropriate to review what changes or improvements to the GPT scheme may be possible to deal with the concerns of developing countries noted above. I would not want to propose such changes or improvements, however, unless it were determined that Canadian interests would not be adversely affected. I, therefore, direct the Tariff Board pursuant to section 4(2) of the Tariff Board Act, to review and report on the expected impact on Canadian production of including in the GPT those products covered by the tariff items listed in Group I of Annexes A and B to this letter, and the expected impact on Canadian production if the preferential rate under the GPT were established at Free for those products covered by the tariff items listed in Group II of Annexes A and B. I would also ask the Board to include in its report recommendations, based on its findings, as to whether any of the products covered by the tariff items in Group I should be included in the GPT and if so at what rates, and whether any of the products covered by the items in Group II should be allowed duty-free entry under the GPT.

If the Board should conclude that the inclusion in the GPT of some of the goods which are now excluded would be facilitated by the establishment of tariff rate quotas for those products, I would ask the Board also to make recommendations regarding the levels of such quotas. With regard to the GPT rates which the Board might recommend for products which are now excluded from the GPT, but for which the GPT rate formula would apply if they were included in the GPT, I would ask the Board to consider only two options: duty-free entry or the formula rate (i.e. the MFN rate minus one-third or the BP rate if it is lower).

I would ask that the Tariff Board report not later than nine months from the date of this letter on the tariff items listed in Annex A. The Board's report on the items listed in Annex B should be submitted within one year of its report on the items listed in Annex A.

Yours sincerely,

Allan J. MacEachen

APPENDIX B
ATTENDANCE LIST

SP-11

ATTENDANCE AT PUBLIC HEARING HELD
ON SEPTEMBER 4, 1985, OTTAWA

<u>Organization</u>	<u>Representative(s)</u>
Brazil, Embassy of	N. Lemanh
C.D. Carthur & Associates	C.D. Arthur
Curwood Packaging (Canada) Limited	C.A. Frankiw
Dept. of Finance	B.J. Finch
Hercules Canada Inc.	J.S. Cowan
Herridge, Tolmie	J.M. Coyne
Herridge, Tolmie	P.J. Wilson
Korea, Embassy of	Y.K. Park
Mobil Chemical Canada Ltd.	S.R. Gallinger
Mobil Chemical Canada Ltd.	D.E. Valcamp
Ogilvy, Renault	J. Chipman
Ogilvy, Renault	J. Day
Stormont Chemicals Limited	A.P. MacDonald
Sumitomo Canada Ltd.	K. Ichikawa

SP-11

LISTE DES PERSONNES PRESENTES A L'AUDIENCE PUBLIQUE

TENUE LE 13 JUIN 1984, OTTAWA

<u>Organisation</u>	<u>Représentant(s)</u>
Ambassade de Brésil	N. Lemanh
C.D. Carthur & Associates	C.D. Arthur
Curwood Packaging (Canada) Limited	C.A. Frankiw
Dept. of Finance	B.J. Finch
Hercules Canada Inc.	J.S. Cowan
Herridge, Tolmie	J.M. Coyne
Herridge, Tolmie	P.J. Wilson
Ambassade de Corée	Y.K. Park
Mobil Chemical Canada Ltd.	S.R. Gallinger
Mobil Chemical Canada Ltd.	D.E. Valcamp
Ogilvy, Renault	J. Chipman
Ogilvy, Renault	J. Day
Stormont Chemicals Limited	A.P. MacDonald
Sumitomo Canada Ltd.	K. Ichikawa

LIST DES PERSONNES PRESENTES

ANNEXE B

Je demanderais à la Commission du tarif de faire rapport dans les neuf mois qui suivront la date de réception de la présente lettre sur les numéros tarifaires figurant à l'Annexe A. Le rapport de la Commission sur les numéros figurant à l'Annexe B devrait être présenté dans l'année qui suit la présentation de son rapport sur les numéros figurant à l'Annexe A.

Je vous prie d'agréer, Monsieur, l'expression de ma considération distinguée.

Allan J. MacEachern

produit ou des produits en question permettrait en fait de soulager les producteurs canadiens. La Commission doit me signaler ses conclusions dans les six mois qui suivent et me faire part de ses recommandations quant à la question de savoir s'il y a lieu, dans le cas particulier, de retirer totalement ou partiellement le Tarif de préférence général. Si, au cours de l'enquête, la Commission est convaincue que la situation nécessite la prise urgente de mesures, elle doit faire un rapport et présenter des recommandations provisoires. En plus de demander aux producteurs canadiens de donner leur point de vue, la Commission devrait, dans le cadre de son enquête, inviter les pays exportateurs bénéficiaires, les entreprises exportatrices ou leurs représentants ainsi que les importateurs et les consommateurs canadiens à faire connaître leur point de vue et en tenir compte.

Compte tenu, d'une part, des garanties qui seront offertes aux producteurs canadiens lors de la mise en oeuvre des changements proposés aux dispositions de sauvegarde et, d'autre part, des résultats des NCM, le gouvernement considère également qu'il convient actuellement d'examiner quels sont les changements ou les améliorations qui pourraient être apportés au TPG en réponse aux inquiétudes exprimées par les pays en voie de développement telles que mentionnées plus haut. Toutefois, je ne voudrais pas proposer de tels changements ou de telles améliorations à moins qu'il soit déterminé que les producteurs canadiens ne subiront pas d'effets néfastes. Par conséquent, je demande à la Commission du tarif, d'étudier les incidences prévues sur la production canadienne de l'application du TPG aux produits figurant aux numéros tarifaires du Groupe 1 des Annexes A et B de la présente lettre et les incidences prévues sur la production canadienne de l'octroi de l'entrée en franchise de droits sous le régime du TPG dans le cas des produits figurant aux numéros tarifaires du Groupe II des Annexes A et B et de faire rapport à ce sujet. Je demande également à la Commission d'inclure dans son rapport des recommandations, fondées sur ses conclusions, quant à la question de savoir s'il y aurait lieu d'appliquer le TPG aux produits figurant aux numéros tarifaires du Groupe I et, le cas échéant, à quels taux et quant à la question de savoir s'il y aurait lieu de permettre l'entrée en franchise en vertu du TPG de l'un ou l'autre des produits figurant aux numéros du Groupe II.

Si la Commission devait conclure que l'application du TPG dans le cas de certains des produits qui en sont actuellement exclus serait facilitée par l'établissement de contingents tarifaires à l'égard de ces produits, je demanderais également à la Commission de faire des recommandations concernant les niveaux de ces contingents. En ce qui concerne les taux du TPG que la Commission pourrait recommander dans le cas des produits qui sont actuellement exclus, mais dans le cas desquels la formule d'établissement du taux du TPG s'appliquerait s'ils étaient inclus, je demanderais à la Commission de limiter son étude soit à l'entrée en franchise ou à l'établissement d'un taux établi selon la formule (c'est-à-dire, le taux de la NPF moins le tier ou le taux de PB s'il est inférieur).

peuvent menacer la production et l'emploi au Canada. Les producteurs canadiens ont également soutenu que les dispositions actuelles de sauvegarde prévues en vertu du TPG sont insuffisantes et ne permettent pas d'étudier rapidement les demandes de retrait ou de suspension des préférences ni d'effectuer un examen public à ce sujet.

En réponse à ces dernières représentations et afin d'être en mesure d'envisager la possibilité d'améliorer le TPG, le gouvernement présentera un projet de loi visant à modifier les dispositions de sauvegarde sous le régime du TPG. Ces changements seront conçus principalement afin de faciliter l'examen des demandes de l'industrie canadienne en ce qui concerne le retrait ou la suspension du TPG dans le cas de produits particuliers provenant de l'in ou l'autre des bénéficiaires du TPG. Les changements proposés comprendraient une disposition visant à permettre aux producteurs canadiens de demander directement à la Commission du tarif de déterminer si des importations, au taux du TPG, leur causent ou menacent de leur causer un préjudice et, dans le cas d'une conclusion affirmative, de recommander des mesures appropriées de sauvegarde au gouvernement. Les nouvelles dispositions accorderaient aussi au gouverneur en conseil le pouvoir d'établir des contingents tarifaires, suite à une recommandation de la Commission du tarif, comme solution de rechange à l'exclusion totale de produits de l'application du TPG. (En vertu d'un contingent tarifaire, le taux du tarif de la NPF serait automatiquement rétabli lorsque les importations, au taux préférentiel, atteignent un niveau déterminé à l'avance.) Ces changements devraient, s'ils sont mis en oeuvre, permettre de garantir aux producteurs canadiens que leurs demandes d'application de mesures de sauvegarde seront étudiées rapidement selon des procédures qui permettent de consulter et de faire participer dans une grande mesure l'industrie canadienne. En même temps, les pays en voie de développement ou leurs représentants pourraient faire des représentations à la Commission en ce qui concerne toute demande d'application de mesures de sauvegarde.

Toutefois, je reconnais qu'il faudra du temps pour présenter un projet de loi et que les producteurs canadiens ont un problème urgent. J'aimerais donc régler ce problème dans la mesure du possible dans le contexte de la législation existante. Par conséquent, je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite de l'application du Tarif de préférence général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée. Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations aux taux réduits en vertu du TPG. À mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG à l'égard du

1e 24 juillet 1980

La présente a pour but de demander à la Commission du tarif d'étudier, en vertu du paragraphe 4(2) de la Loi sur la Commission du tarif, un certain nombre de questions relatives au Tarif de préférence général (TPG) et de faire rapport à ce sujet.

En 1974, le Canada a instauré le TPG dans le cadre d'un système international de préférences tarifaires visant à aider les pays en voie de développement à accroître leurs exportations de produits manufacturés et semi-manufacturés vers les marchés des pays développés. Le taux préférentiel sur les produits industriels assujettis au régime canadien est établi par voie de législation et correspond aux deux tiers du Tarif de la nation la plus favorisée (NPF) ou du Tarif de préférence britannique (PB), le moins élevé de ces taux étant à retenir. Des préférences particulières ont également été établies dans le cas de certains produits agricoles. Le TPG ne s'applique pas à la plupart des produits du textile, aux chaussures en cuir et à certains tubes électroniques et leurs pièces en raison d'un décret pris en vertu de la clause de sauvegarde; cette mesure a été prise en raison de la vulnérabilité particulière à la concurrence étrangère des producteurs canadiens dans ces secteurs.

Depuis son entrée en vigueur en 1974, le TPG a fait l'objet de nombreuses représentations souvent opposées. D'une part, les pays en voie de développement, qui cherchent à améliorer leur position concurrentielle par rapport aux pays développés sur le marché canadien, ont demandé une amélioration des préférences accordées en vertu du TPG et également un accroissement du nombre de produits assujettis au régime. Plus récemment, les pays en voie de développement ont dit s'inquiéter du fait que la réduction des taux du tarif de la NPF, à la suite des négociations commerciales multilatérales (NCM), entraînera une diminution des marges de préférence dont ils bénéficient en vertu du TPG. Ces pays demandent que l'on améliore davantage le régime canadien afin que leur position concurrentielle relative sur le marché canadien soit améliorée ou, du moins, maintenue.

Par contre, certains producteurs canadiens ont exprimé leur insatisfaction et leurs préoccupations au sujet de l'octroi aux pays en voie de développement de l'accès préférentiel au marché canadien. Ils prétendent que, dans le cas de bon nombre de produits, ces pays n'ont plus besoin d'un accès préférentiel pour concurrencer sur le marché canadien et que ces préférences

LA LETTRE DE MANDAT DU MINISTRE

ANNEXE A

Tarif de
préfé-
rence
britann-
nique

Tarif de
la nation
la plus
favorisée

Tarif de pré- rence	Tarif général
1	1
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3	3
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96	96
97	97
98	98
99	99
100	100

R.-U. et
Irlande

Fellikule de
polypropylène
orienté bi-
axialement, non
enduite, d'au
plus 0.001
pouce d'épais-
seur
(Numéro tarifaire
temporaire: voir
l'annexe 1)

D.R. Neomans
 President
 1

[Signature]
G. T. Gorman, c.r.
Deuxieme Vice-President

Tom Martin
K.C. Martin
Membre

C.N. Beauchamp
Membre

Jean Bertrand
Jean P. Bertrand
Premier Vice-Président

Ar Kibank
A.C. Kibank
Membre

R. K. Mathnie
Membre

pression et pour d'autres applications industrielles ainsi que des prix des pellicules PPOB enduites. La rentabilité de la compagnie Mobil en ce qui concerne les pellicules non enduites pour les emballages souples a aussi fléchi au cours de cette même période.

La Commission conclut donc que les importations TPG de pellicules de polypropylène orienté bi-axialement, de calibre 100 ou d'une épaisseur d'au plus 0.001 pouce, ont causé un préjudice aux producteurs canadiens de telles marchandises, surtout sous forme de compression et d'érosion des prix et d'une baisse de leurs profits. De plus, la Commission est convaincue que les producteurs canadiens bénéficieraient d'un allègement significatif si le TPG était retiré pour les pellicules de polypropylène orienté bi-axialement, non enduites, pour les emballages souples. La Commission est de plus préoccupée par la capacité de production et d'exportation que possèdent la Corée et les Philippines ainsi que par la possibilité d'une pénétration considérable et importante du marché canadien par des importations TPG de ce type de pellicules de polypropylène.

1. que le taux TPG de 9.5 p.c. que prévoit actuellement le numéro tarifaire 93902-84 soit retiré pour une période de trois ans quant aux pellicules de polypropylène orienté bi-axialement non enduites, d'au plus 0.001 pouce d'épaisseur, et
2. que le numéro tarifaire 93902-84 soit remplacé par ce qui suit:

Tarif de pré- rence britan- nique	Tarif de la nation la plus favorisée	Tarif général	Tarif général rence	Tarif de pré- rence général	Tarif de pré- rence général
14.5 p.c.	14.5 p.c.	25 p.c.	9.5 p.c.	14.5 p.c.	14.5 p.c.
pylène					

Au cours de la dernière partie de 1984 et en 1985, le prix moyen des importations en provenance de la Corée et des Philippines a diminué et cela a entraîné une réduction du prix au Canada des PPOB non enduites pour les emballages souples. Il n'y avait aucune preuve d'une telle compression et d'une semblable érosion des prix des pellicules pour bandes sensibles à la

souples.

15% de la production nationale de pellicules non enduites pour les emballages souples. Toutefois, ces importations de PPOB. L'ensemble des importations de PPOB par le marché canadien et du pourcentage de la consommation globale de PPOB par le marché canadien et du pourcentage de l'augmentation très rapidement, elles ne sont pas très fortes si l'on tient compte des importations TPG qui étaient pratiquement toutes pour emballages souples aient marché canadien et celles en provenance des pays TPG 3.0%. Bien que les importations en provenance des pays NPF représentaient 49.6% du total, de janvier à juillet 1985 était de 52.6%, par rapport à 41.8% en 1984. La proportion du marché canadien relative aux importations de tous

provenant de fournisseurs NPF et TPG.

interne de PPOB, et d'une augmentation de la pénétration des importations de la demande après des années de croissance interrompue de la consommation l'année précédente. Cette contradiction était le reflet d'un ralentissement des premiers mois de 1985 comparativement au niveau de la période équivalente production s'est stabilisée en 1983 et 1984 et a même fléchi au cours des sept PPOB a pris rapidement de l'expansion. Toutefois, le taux de croissance de la production au début des opérations en 1981, la production canadienne de

sont moins élevés et la technologie est similaire. Les producteurs, dans ces pays TPG, ont accès à la résine de polypropylène, la matière de base des pellicules, à des prix plus favorables que ceux que doivent payer les producteurs canadiens. De plus, les salaires leur production est de ce fait disponible pour l'exportation aux marchés extérieurs.

Le prix moyen pratiqué par la demanderesse est demeuré le même de 1983 à 1984 pour l'ensemble de la production. Toutefois, les prix ont augmenté au cours des sept premiers mois de 1985, ce qui témoigne en partie de l'abandon des pellicules pour bandes en faveur de pellicules enduites à prix plus élevés. La rentabilité générale en 1985 a été inférieure à celle de 1984 mais elle a été néanmoins supérieure au niveau de 1983.

CONSTATATIONS, CONCLUSIONS ET RECOMMANDATIONS

Les importations de pellicules de type polypropyène orienté bi-axialement en vertu du TPG sous le numéro tarifaire 93902-84 ont commencé en 1982 et ont rapidement grimpé à plus de 200 mille livres en 1984, puis à 762 mille livres durant la période de janvier à octobre 1985. Les importations de ce produit sous le TPG proviennent surtout de la République de Corée et des Philippines, la corée étant la source la plus importante. De petites quantités ont aussi été expédiées au Canada de Hong Kong et de la République populaire de Chine.

La plupart des expéditions TPG étaient composées de PFOB non enduites d'une épaisseur inférieure au calibre 100 et devant servir dans des emballages souples. De petites quantités de pellicules pour bandes sensibles à la pression et autres applications industrielles ont aussi été importées en vertu du TPG. La Commission n'a pu trouver d'importations de PFOB enduites en provenance de pays TPG.

Les fournisseurs coréens et philippins exploitent des installations dont la capacité est égale ou supérieure à celle de l'un ou de l'autre des fabricants canadiens. Réunis, ces mêmes fournisseurs peuvent produire un volume de PFOB qui dépasse de loin celui de l'industrie canadienne et l'ensemble des besoins du marché canadien. Leur capacité de production de PFOB excède leurs propres besoins domestiques et une quantité considérable de

17.1% inférieurs à la moyenne de 1984. Les valeurs unitaires moyennes des importations de PFOB provenant des Philippines n'avaient pas changé. Si l'on combine les importations TPG provenant de la Corée et des Philippines, les valeurs unitaires des PFOB non enduites utilisées dans les emballages souples étaient de 13.3% inférieures en 1985, ce qui démontre que les importations TPG ont exercé une pression à la baisse considérable sur les prix des PFOB de fabrication canadienne.

La pression à la baisse sur les prix est confirmée par le fait que le prix moyen des pellicules non enduites de la Mobil pour emballage souples a diminué en 1985. Cette compression et cette érosion des prix malgré une augmentation des coûts ont contribué à une réduction marquée du revenu net avant impôt que la demanderesse tire des PFOB non enduites. Les deux autres groupes majeurs de produits, à savoir les PFOB enduites et les BBOP pour bandes sensibles à la pression et autres applications industrielles artichaient de meilleurs prix et une plus grande rentabilité.

Des données détaillées semblables n'ont pas été obtenues de Hercules. Toutefois, selon son mémoire confidentiel, ce producteur canadien a subi une pression similaire sur ses prix des PFOB pour emballages souples.⁽¹⁾

TABLÉAU 2

PELLICULES DE POLYPROPYLENE ORIENTÉ BI-AXIALEMENT
PRIX MOYENS DES IMPORTATIONS TPG
dollars la livre

	1983	1984	Janv.-juil. 1985
Corée	1.09	1.17	0.97
Philippines	-	0.85	0.85
Moyenne: Toutes les importations TPG	1.09	1.05	0.91

Source: La Commission du tarif.

plus clair des approvisionnements canadiens venant de telles sources. Il s'ensuit que l'effet défavorable des importations TPG à croissance rapide sur les producteurs canadiens est beaucoup plus prononcée lorsque la comparaison est faite avec la production intérieure de PPOB utilisées dans les emballages souples que lorsqu'il est mesuré par rapport à la production canadienne globale de PPOB, c.-à-d. de pellicules de divers types et pour diverses utilisations ultimes.

PRIX ET REPERCUSSIONS DES IMPORTATIONS TPG

Il est reconnu qu'il n'y a pas une différence sensible dans la qualité entre les PPOB de fabrication canadienne et le produit importé en vertu du TPG. C'est surtout au niveau des prix que la concurrence s'exerce.

Vu le peu de temps qui s'est écoulé depuis que les PPOB en provenance de pays TPG ont fait leur apparition sur le marché canadien, l'analyse que la Commission a faite des prix tirés de documents d'importation confidentiels n'a pas donné de gamme de prix pour chaque type particulier de pellicules importées. Le nombre d'expéditions en vertu du TPG a été peu élevé jusqu'ici et elles se composaient de pellicules d'épaisseur différente. Par conséquent, elles ne permettaient pas une comparaison avec les prix de marchandises identiques ou similaires sur une certaine période. Il y avait deux exceptions, à savoir les pellicules non enduites de 20 microns (calibre 80) en provenance de la Corée et un produit similaire importé des Philippines. Les prix unitaires moyens de toutes les importations TPG, y compris l'expédition de pellicules de 20 microns, ont aussi été pris en considération.

Le prix des pellicules de 20 microns importées de la Corée et le prix de celles provenant des Philippines avaient connu une baisse, de 9.0% en décembre 1984, dans le premier cas et de 5.0% dans l'autre, à mesure que le volume global des importations TPG avait grossi.

Le tableau 2 indique que le prix moyen des PPOB coréennes exportées au Canada a augmenté environ de 7.3% en 1984. Toutefois, au cours des sept premiers mois de 1985, les valeurs unitaires du produit coréen étaient de

Une bonne partie de la production intérieure consiste en des PPOB non enduites qui sont utilisées dans les emballages souples. Au cours des années en question, la production de telles PPOB a augmenté plus vite que celle des autres types de PPOB. Les importations de PPOB non enduites en provenance de pays TFG et devant servir dans des emballages souples semblent constituer le

Jusqu'en 1982, les importations non TFG constituaient la seule source d'approvisionnement en PPOB à l'étranger pour le marché canadien. Toutefois, en 1984, des expéditions provenant de pays TFG, notamment la Corée et les Philippines tirent leur apparition en quantités commerciales importantes au Canada. L'augmentation de ces importations s'est accélérée vers la fin de 1984, puis en 1985. La pénétration du marché canadien par les fournisseurs bénéficiant du TFG a plus que quintuplé au cours de la période et elle dépasse maintenant un dixième de la part de l'écoulement intérieur des PPOB que détiennent les importations non TFG. Il est à noter qu'une partie importante des importations non TFG représente des transferts entre sociétés et d'autres approvisionnements obligatoires qui, partant, ne concurrencent pas les PPOB produits au Canada.

Avant le début de la production canadienne de PPOB, tous les besoins intérieurs en PPOB étaient comblés par des importations. A mesure que des PPOB ont commencé à être fabriquées au Canada, les producteurs nationaux ont envahi des secteurs grandissants du marché canadien. En 1984, l'industrie canadienne a répondu à plus de la moitié des besoins intérieurs. Cette part semble s'être quelque peu réduite en 1985 étant donné que le total des importations de PPOB a augmenté.

L'écoulement, ou la consommation, des PPOB au pays a presque doublé en volume entre 1981 et 1984. Cependant, les premiers indices révèlent que l'expansion récente a ralenti en 1985 et que la demande au cours de l'année dans son ensemble pourrait bien tomber sous le niveau atteint en 1984.

Hercules a exporté une quantité considérable et croissante de PPOB depuis le début de leur production. Toutefois, le gros de la production canadienne est vendu sur le marché intérieur.

comparaison avec 15,300 livres pendant la même période en 1984. L'augmentation de 390,735 livres attribuable à la Corée représente 12.5 pour cent de la progression totale des importations du monde entier pendant cette période, témoignant ainsi de la croissance rapide des ventes coréennes au Canada.

Les Philippines, dont les importations sont consignées pour la première fois en 1984, au niveau de 87,600 livres, ont connu également une augmentation considérable pendant la période de janvier à juillet 1985 pour atteindre 247,034 livres.

Les autres pays producteurs bénéficiaires du TPG, tels le Brésil et le Mexique, ont commencé à exporter au Canada avant 1984 en petites quantités non régulières. Durant les sept premiers mois de 1985, certains d'entre eux, imités par de nouveaux fournisseurs d'Extrême-Orient, ont encore vendu de petites quantités sur le marché canadien. Au total donc, si l'on se fonde sur une comparaison entre janvier-juillet 1984 et 1985, les importations TPG correspondent à 5.6 pour cent du volume global des importations de cette dernière année par comparaison à 0.6 pour cent en 1984.

LE MARCHÉ CANADIEN, LES VENTES DE PRODUITS CANADIENS AU PAYS ET LA CONCURRENCE VENANT DES IMPORTATIONS

Il n'y a que deux fabricants de PPOB au Canada et les données sur la production et les ventes et les autres données similaires qui ont été communiquées à titre confidentiel à la Commission ne peuvent être divulguées sans leur enlever leur caractère confidentiel. Par conséquent, la discussion qui suit a été largement formulée en termes qualitatifs plutôt que quantitatifs.

Mobil et Hercules ont commencé à produire des PPOB au Canada en 1981. En 1982, la production avait triplé et elle a progressé à peu près au même rythme au cours de la période de deux ans qui a suivi. Toutefois, la production canadienne de PPOB aurait ralenti en 1985 selon les indications préliminaires.

TABLEAU 1 (SUITE)

	1981	1982	1983	1984	Janv.-Juil. 1984	Janv.-Juil. 1985
Valeur (en milliers de dollars)						
TPG	-	4.8	15.6	214.1	71.8	627.5
Non-TPG	25,148.3	18,800.7	23,568.9	30,399.6	15,453.3	18,633.1
Total des importations	25,148.3	18,805.5	23,584.5	30,613.7	15,525.1	19,260.7
Importations TPG en termes de % du total	-	*	*	0.7	0.5	3.3

Source: Statistique Canada et la Commission du tarif.

IMPORTATIONS SOUS LE REGIME DU TPG

Les importations TPG sont entrées dans les statistiques pour la première fois en 1982, à 1,400 livres. Ce chiffre est passé à 14,300 livres en 1983. En 1984, le niveau des importations de sources bénéficiaires du TPG a grimpé soudainement à 204,000 livres, dont la plus grande partie dans les six derniers mois, ce qui corrobore l'affirmation de la demanderesse voulant que ce soit à ce moment-là que l'effet sur les prix s'est d'abord fait sentir. Les importations en provenance de pays bénéficiaires du TPG ont atteint 686,394 livres pendant les sept premiers mois de 1985, soit près de 13 fois plus que pendant la même période en 1984. Les augmentations de 635,194 livres sous le régime du TPG au début de 1985, par rapport à la même période en 1984, équivalent à 20.3 pour cent de la hausse globale du volume des importations de PPOB au Canada de toutes sources pour cette période.

La Corée est la principale source des importations TPG, suivie des Philippines. En 1984, les envois coréens au Canada se sont élevés à 110,700 livres, total qui a déjà été dépassé pendant le premier trimestre de 1985. A la fin de juillet 1985, les chiffres s'établissaient à 406,035 livres, par

Les importations ne bénéficiaient pas du TPG représentatives 100 pour cent du total en 1981. A la fin des sept premiers mois de 1984, elles correspondaient à 98.9 pour cent de l'ensemble des importations. En revanche, avec l'arrivée sur le marché durant le deuxième semestre de 1984 d'un volume relativement important d'importations sous le régime du TPG, la part des pays exportateurs de PPOB non bénéficiaires du TPG a chuté à 94.4 pour cent. En termes absolus, le volume des importations de pays non bénéficiaires du TPG a continué à augmenter, passant de 9,013,800 livres pour janvier-juillet 1984 à 11,501,400 livres pour la même période en 1985, soit une progression de 27.6 pour cent. Dans la croissance des importations globales de PPOB au cours des sept premiers mois de 1985, qui s'élève à 3,122,794 livres, la part des pays non bénéficiaires du TPG est de 2,487,600 livres, ou plus de quatre cinquièmes du total.

Les principales sources d'approvisionnement de pays non TPG sont des sociétés américaines (76.1 pour cent du volume total des importations non-TPG en 1984) et japonaises (10.1 pour cent de ce volume). Les autres pays exportateurs sont, entre autres, l'Italie et le Royaume-Uni. Les importations en provenance des Etats-Unis comprennent des transferts intersociétés, réalisés par Mobil et Hercules. Le total des importations canadiennes en ce qui a trait aux films PPOB provenant des Etats-Unis s'élevait à 10,646,600 livres en 1983. L'année suivante, les chiffres correspondant ont atteint 14,006,300 livres. Les plus récentes statistiques pour l'année 1985 indiquant que les importations par Mobil et Hercules ont décliné alors que les ventes provenant des Etats-Unis ont continué à grimper.

TABLÉAU 1

IMPORTATIONS TPG ET NON-TPG, 1981-1985

TPG	Non-TPG	Total des importations	Volume (en milliers de livres)					de % du total TPG en termes
			1981	1982	1983	1984	Janv.-juil. 1984	Janv.-juil. 1985
1.4	18,206.2	18,206.2	-	1.4	14.3	204.0	51.2	686.4
15,284.6	15,284.6	18,399.6	18,399.6	18,603.6	18,603.6	9,065.0	12,187.8	5.6
0.1	15,298.9	15,298.9	18,603.6	18,603.6	18,603.6	9,065.0	12,187.8	5.6
*	12,970.9	12,970.9	15,298.9	18,603.6	18,603.6	9,065.0	12,187.8	5.6
-	18,206.2	18,206.2	-	1.4	14.3	204.0	51.2	686.4
Importations	TPG en termes	de % du total						

IMPORTATIONS DE PELLICULES DE POLYPROPYLENE ORIENTE BI-AXIALEMENT

Les producteurs des Philippines, que ce soit personnellement ou par partie interposée, ne sont intervenus ni par écrit ni oralement auprès de la Commission.

Les importations globales de PPOB se composent, d'une part, de produits bénéficiant ou TPG en provenance notamment de la Corée, des Philippines et du Brésil, et d'autre part de produits importés sous le régime du tarif de la NPF et de la PB. Ces importations n'ont pas été ventilées en fonction de leur nature ou de leur destination (p. ex., avec ou sans enduit, ruban, application industrielle, etc.) du fait que la demande porte sur toute la gamme des pellicules de polypropylène orienté bi-axialement qui relèvent du numéro tarifaire 92902-84. Les données regroupent la classe des produits 424-53-20 (pellicules de polypropylène de 0,01 po. ou moins d'épaisseur) et 424-53-30 (feuils de polypropylène de plus de 0,01 po. d'épaisseur), examinés plus haut. Les analyses détaillées indiquent que pratiquement que toutes les importations de pellicules provenant de pays bénéficiant du TPG le furent de PPOB non enrobées. Cela reflète également le point de vue soulevé par la demanderesse à l'effet que sont les importations de pellicules servant à l'emballage qui est son principal problème.

Les importations canadiennes de PPOB, comme on peut le voir dans le tableau qui suit, se sont chiffrées à 18,206,200 livres en 1981. Ce total chute en 1982 à 12,970,000 livres. Mais depuis la fin de 1982, le volume total des importations a augmenté régulièrement pour atteindre pendant la période de janvier à juillet 1985 le niveau de 12,187,794 livres, soit une hausse de 34.4 pour cent par rapport aux 9,065,000 livres de la même période en 1984. D'ici la fin de 1985, on prévoit que le volume total des importations de PPOB atteindra environ 20,893,000 livres, par comparaison aux 18,603,600 livres de 1984.

Il est soutenu que les commandes de PPOB à la Corée nécessitent un minimum de 90 jours de battement entre la date de la commande et celle de la réception du produit au Canada. La constitution de stocks serait évidemment une solution possible, mais coûteuse, et pour citer le mémoire du Centre, "... peu propice à la mise en place de systèmes de production 'en temps opportun'". Enfin, la modification des spécifications des pellicules stockées serait une opération extrêmement coûteuse et, à toutes fins pratiques, impossible à réaliser"(1) (traduction).

Le deuxième facteur mentionné par le Centre, le financement, a trait à l'utilisation de lettres de crédit irrévocables pour financer les importations qui demandent une immobilisation de capital pendant une période de près de 90 jours avant la réception des marchandises. Pour leur part, les producteurs canadiens effectuent leurs livraisons suivant des modalités de crédit de 30 jours ou davantage à partir de la date de livraison. Il s'ensuit, d'après le mémoire, que les frais de financement sont supérieurs pour les importations et réduisent ainsi les avantages que peut procurer le taux TPG.

Dans le mémoire brésilien, il est avancé que les importations de PPOB en provenance de pays bénéficiaires du TPG sont globalement marginales et que les fournisseurs des pays développés, assujettis au tarif de la NPF, ont non seulement dominé le marché canadien mais, dans certains cas, ont même augmenté leur part. L'ambassade du Brésil signale que les importations brésiiliennes, d'après les chiffres de Statistique Canada, n'ont eu lieu qu'en 1984 et ne représentaient que 3 tonnes. Enfin, l'ambassade insiste sur le fait que la production brésiilienne est destinée principalement à la consommation intérieure, tandis que les excédents sont exportés presque entièrement en Allemagne de l'Ouest, en Australie et en Amérique latine. Le mémoire en arrive donc à la conclusion que: "Pour ces raisons, le gouvernement des Etats-Unis du Brésil demande à la Commission du tarif de ne pas modifier le régime du TPG dans le cas des produits visés"(2) (traduction)."

(1) Mémoire, p. 2-3.
(2) Mémoire, p. 3.

Dans le cas de la production philippine de POB, il a été soutenu que l'infrastructure des Philippines est également d'envergure mondiale et que la production de ce pays est par conséquent "... bien supérieure aux besoins nationaux" (1) (traduction). En outre, les Philippines se procurent une résine à bas prix vendue aux cours mondiaux. Mobil estime que le seul producteur philippin jouit d'une capacité de 10 à 12 millions de livres, ce qui est comparable à la production de son usine de Belleville. (2)

Le Korea Trade Centre de Toronto a présenté un mémoire au nom des producteurs coreéens STC Incorporated et Samsung Chemical Co. Ltd. L'ambassade du Brésil a fait la même chose pour défendre les intérêts des producteurs brésiliens. Les deux parties plaident en faveur du maintien du TPG relativement aux POB visées par la demande en affirmant que sa suppression n'aiderait que marginalement la cause des producteurs canadiens. Ni l'une ni l'autre des deux parties n'a présenté son dossier oralement à l'audience publique.

Pour sa part, la Corée soutient que les importations de POB en provenance de ce pays sont tout à fait accessoires et ne constituent donc pas un facteur de bouleversement du marché canadien. Elle reconnaît, certes, que les importations au titre du TPG ont augmenté en termes de pourcentage, surtout pendant le premier semestre de 1985, mais à son avis, cette augmentation est minime par comparaison avec l'augmentation globale des importations en provenance de pays non bénéficiaires du TPG.

Pour le Korean Trade Centre, "... il existe d'autres barrières non tarifaires qui limitent singulièrement le potentiel de pénétration des exportations de POB coreéennes au Canada" (3) (traduction). Ces facteurs sont les suivants: (a) le "temps de battement" et (b) le financement des envois.

(1) Ibid., p. 3 et Mobil, op. cit., p. 13-14 en particulier.
 (2) Mobil, op. cit., p. 13.
 (3) Mémoire, p. 1.

Les PPOB produites par Hercules comprennent la plupart des types et des variétés dont il est question dans la demande. Hercules Canada importe certains produits de la société mère américaine lorsqu'elle n'est pas en mesure de fournir les petites quantités demandées au Canada sur des marchés particuliers et restreints. En revanche, Hercules s'emploie à produire certains types de PPOB à l'intention du marché mondial.

Si l'on en croit Mobil et Hercules, les usines coréennes de production de PPOB sont d'envergure mondiale et équipées d'installations d'avant-garde. Hercules fait en outre valoir dans son mémoire que les infrastructures de fabrication coréenne ont vu leur taille doubler au cours des deux dernières années pour atteindre deux fois et demie la capacité de production canadienne et sept fois celle d'Hercules Canada.⁽¹⁾ Les deux mémoires canadiens mentionnent les avantages dont jouissent les producteurs coréens sur le plan des coûts relatifs à l'achat de la résine de polypropylène, la matière première. Plus précisément, les fabricants coréens achètent la résine aux cours mondiaux et, en raison d'un programme d'Etat de réexportation, n'ont pas à payer de droits d'importation lorsque la résine sert à la production de produits finis d'exportation. A cause d'une surproduction à l'échelle mondiale, il est affirmé que les cours mondiaux ont considérablement baissé et se trouvent actuellement bien inférieurs à ceux de la résine faite au Canada.⁽²⁾ Mobil et Hercules utilisent tous deux uniquement la résine canadienne, malgré son prix supérieur, même pour la production des PPOB destinées à l'important marché d'exportation de Hercules, pour des raisons de caractère pratique, de stabilité des prix et de contrôle de la qualité. C'est ainsi que les deux parties soutiennent que les infrastructures de production d'envergure mondiale et l'achat de résine aux cours mondiaux permettent aux producteurs coréens "... d'exercer une concurrence des prix efficace (sur le marché canadien) sans avoir besoin de bénéficier du TPG".⁽³⁾

(1) Ibid., mémoire, p. 3.
 (2) cf. Mobil, op. cit., p. 12-15 et Hercules, op. cit., p. 3.
 (3) Hercules, op. cit., p. 4.

si les importations provenaient de pays non bénéficiaires du TPG qui "... ont établi des marchés traditionnels au Canada, de caractère essentiellement captif"(1) (traduction). Par ailleurs, "... l'augmentation du volume des importations de POB attribuable aux importateurs TPG a touché le segment du marché où deux producteurs du Canada sont en concurrence"(2) (traduction). La mention de "marchés captifs" au sujet des importations non assujetties au TPG se rapporte à des marchandises envoyées à des filiales canadiennes pour traitement ultérieur (p. ex., du Royaume-Uni, de l'Italie et, dans le cas des Etats-Unis, à des produits envoyés aux deux fabricants canadiens); il s'agit de pellicules brevetées provenant du Japon et destinées à un petit marché choisi.

AUTRES PARTIES INTERESSEES

Hercules Canada Inc., de Mississauga en Ontario (Hercules), qui est le seul autre fabricant canadien de pellicules de polypropylène orienté bi-axialement, a présenté un mémoire pour appuyer la demande de mesures de sauvegarde déposée par Mobil. On peut lire dans son mémoire que "Hercules Canada ratifie le point de vue présenté par Mobil Chemical Canada Ltd. dans sa demande"(3) (traduction).

Hercules Canada Inc., filiale de Hercules Incorporated, de Wilmington au Delaware (Etats-Unis), a commencé en 1981, comme Mobil, à produire au Canada les POB au moyen d'installations ultra-modernes dans une usine située à Varennes (Québec).

Hercules a recours au procédé du tendeur (dont il a été question à propos de la production de Mobil) ainsi qu'au procédé à bulles (également désigné par les termes de "tubulaire" ou "à soufflage").

(1) Loc. cit.
(2) Ibid., p. 9-10.
(3) Hercules, Mémoire de, p. 1.

Dans le mémoire qu'elle a présenté, Mobil affirme que les importations de PFOB, en provenance de la République de Corée (Corée) et des Philippines, ont augmenté beaucoup plus rapidement depuis un an que la demande canadienne de pellicules de ce genre. En conséquence, est-il soutenu dans le mémoire, on se retrouve aujourd'hui avec (a) un blocage des prix attribuable aux importations "à bas prix" qui empêchent la fixation de prix à un niveau justifié par l'augmentation des coûts de production, et (b) l'érosion des prix découlant de la concurrence exercée par les importations qui ont fait chuter les prix à un niveau inférieur à ce qu'ils auraient été autrement. On peut lire dans le mémoire de Mobil que: "Cette érosion des prix est causée exclusivement par l'irruption sur le marché de volumes considérables d'importations à bas prix provenant de pays bénéficiant du Tarif de préférence général (la Corée, en particulier) et par la rude concurrence des prix qui s'est instaurée au moment où les importations ont réussi à accaparer une part du marché"(1)

(traduction).

D'après le mémoire de Mobil, les répercussions néfastes sur les prix se sont fait sentir dans deux secteurs particulièrement préoccupants qui sont (a) "... le segment élastique du marché de l'emballage, qui traditionnellement offre des marges de profit supérieures à ceux du ruban et des applications industrielles"(2) (traduction) et (b) le marché des produits de PFOB enrobé qui permettait jusque-là une plus-value et dont l'érosion pourrait avoir de graves répercussions sur les résultats financiers, compte tenu des investissements récents de 8 millions de dollars en installations d'enrobage. L'impact sur les prix intérieurs a été porté pour la première fois à l'attention de l'entreprise à la fin de 1984.

Mobil a en outre soutenu que l'augmentation du volume des importations TPG avait un effet néfaste sur la production canadienne car celles-ci "... se substituent à des ventes qui auraient autrement bénéficié à des producteurs du pays"(3) (traduction), contrairement à ce qui se serait passé

(1) Mémoire de Mobil, p. 17.
 (2) Ibid., p. 19.
 (3) Ibid., p. 9.

LA DEMANDERESSE

La société Mobil Canada Ltd., Films Division (Mobil), filiale de Mobil International Finance Corporation de New York (Etats-Unis), a mis sur pied en 1981 son exploitation canadienne de PPOB dans une usine située à Belleville en Ontario.

En 1984, l'usine a été agrandie, au coût de 8 millions de dollars, en vue de la mise en place d'installations ultra-modernes pour la production des PPOB. L'enduit appliqué dans les nouvelles installations est fait d'acrylique, de polychlorure de vinyle (PVC), par exemple, et présente l'avantage de former un écran supplémentaire contre l'oxygène et l'humidité, qui améliore par ailleurs les caractéristiques d'ajustage du produit fini.

Mobil a recours à ce qu'on appelle le procédé de fabrication "à tendeur" ou "à feuil plat". Ce procédé a pour effet de réduire la pellicule à l'épaisseur voulue en étendant sur un ensemble de rouleaux la pellicule de base qui est ensuite étirée transversalement au moyen d'un tendeur, d'où son nom d'"orientation bi-axiale".

Il existe un deuxième procédé - non utilisé par Mobil - qui porte le nom de "tubulaire" ou "à soufflage". Il en sera question dans les paragraphes qui suivent concernant l'exploitation du seul autre producteur de PPOB au Canada, Hercules Canada Inc. (Hercules).

L'usine de Mobil a été créée presque exclusivement pour répondre aux besoins du marché canadien. Les installations de Belleville ne produisent toutefois pas toutes les sortes de PPOB. C'est pourquoi une quantité non négligeable du produit est importée de la société mère américaine, là où le volume ne justifie pas une production locale. Il arrive également, à l'occasion, lorsque les délais de livraison sont insuffisants pour que l'usine canadienne puisse remplir une commande, que l'on fasse appel à des importations de Mobil U.S.

dont les caractéristiques de résistance à l'humidité sont supérieures. Le produit remplace également le papier cristal, les autres papiers et les produits d'emballage souple analogues.

Le produit se présente avec ou sans enduit. La variété sans enduit est utilisée, par exemple, dans le marché industriel autre que celui des emballages. Dans sa forme enrobée, il offre un écran supplémentaire contre la pénétration de l'oxygène et, partant, une meilleure garantie contre l'humidité, ce qui assure au produit emballé une durée utile plus longue sur les rayons. Parmi les autres utilisations, signalons la surenveloppe des paquets et des cartouches de cigarettes, le ruban sensible à la pression pour l'étanchéification des boîtes de carton ainsi que d'autres produits destinés aux marchés industriels à des fins autres que l'emballage, que ce soit sous la forme enrobée ou non enrobée.

L'écart entre les taux de droits TPG et NPF, la marge de préférence que les demanderesse désirent voir retirée, se chiffre présentement à 4.4 points de pourcentage. D'ici à 1987, cette marge de préférence sera ramenée à 3.7 points de pourcentage et reflètera les réductions tarifaires graduelles de la NPF consenties lors des Négociations de Tokyo sur le commerce multilatéral.

Le taux NPF est déterminé par une formule qui stipule que le TPG doit être égal au taux PB ou aux deux tiers du taux NPF, selon le taux qui est le moins élevé.⁽¹⁾ De là les réductions dans le taux TPG susmentionné au fur et à mesure que le taux NPF diminue tel que prévu. Le taux TPG n'est pas assujéti aux négociations qui constituent une extension unilatérale par le Canada des taux de droits préférentiels accordés à certains pays moins développés. Le taux TPG a été introduit en 1974 pour une période de 10 ans et vient d'être déclaré en vigueur pour 10 autres années, soit jusqu'en 1994.

(1) Le Tarif des douanes, article 3.1(2)(a) et (b).

Numéro tari- faire	Description	Tarif de préfé- rence britann- nique	Tarif de la nation la plus favorisée	Tarif général	Tarif général préfé- rence	R.U. et Irlande
93902-84	Type poly- propylène	14.5 p.c.	14.5 p.c.	25 p.c.	9.5 p.c.	14.5 p.c.

La demande porte sur tous les types de pellicules PFOB classées sous ce numéro tarifaire et à l'article 424-53-20 du code des marchandises, c.-à-d. les films de polypropylène orienté bi-axialement de 0,01 po. ou moins d'épaisseur. Il convient de préciser, toutefois, que les produits visés par l'article 424-53-30 du code des marchandises, soit les feuilis de polypropylène de plus de 0,01 po. d'épaisseur, sont également visés par le numéro tarifaire 93902-84 et que de petites quantités du produit ont été importées pendant la période examinée. D'ailleurs, d'après certains porte-parole de l'industrie, il n'existe pas de ligne de démarcation très nette entre "pellicule" et "feuille". Il s'ensuit que les PFOB classées à des fins statistiques sous l'article 424-53-30 du code des marchandises et importées sous le numéro tarifaire 93902-84 ont également été incluses dans l'étude malgré le fait que le principal produit concerné relève de 425-53-20.

Dans l'industrie canadienne, l'épaisseur de la pellicule est exprimée soit en millièmes de pouce, ou "mils", soit au calibre d'épaisseur. Il est toutefois de pratique courante, d'après la demanderesse, (1) de désigner l'épaisseur en "mils", qui sont l'équivalent de 0,001 po. (un millième de pouce). Parallèlement, 0,001 po. correspond au "calibre 1". Ainsi, par exemple, un film de calibre 70 équivalant à une épaisseur de 0,07 mil, qui est la désignation la plus courante.

Les PFOB ont progressivement remplacé la cellophane comme produit de choix dans les emballages, de même que dans des applications industrielles comme les rubans, car elles offrent l'avantage d'être un produit plus souple (1) Transcription, p. 12.

L'audience publique a été tenue à la date prévue. La liste des personnes présentes figure à l'annexe B. On peut se procurer les transcriptions des témoignages moyennant certains frais au service de transcription.

LES MARCHANDISES EN CAUSE

La demande a trait aux pellicules de polypropylène orienté bi-axialement (désignées ci-après par le terme de PPOB), décrites dans le code des marchandises sous le numéro 424-53-20, "films de polypropylène de 0,01 po. ou moins d'épaisseur". Une deuxième rubrique du code des marchandises, 424-53-30, traite des "feuils de polypropylène de plus de 0,01 po. d'épaisseur". Toutefois, la demanderesse a déclaré⁽¹⁾ que l'article 424-53-20 du code des marchandises suffit à lui seul à décrire le produit concerné même si, comme on le verra plus tard, l'analyse portait également sur des importations classées sous la deuxième rubrique.

Les marchandises en cause sont importées sous le numéro tarifaire 93902-84 des produits chimiques et des matières plastiques contenus dans la Liste "A" des Tarifs des douanes. Le libellé précédant le numéro tarifaire concerné se lit comme suit:

93902 - Produits de polymérisation et de copolymérisation (par exemple polyéthylène, polytétraéthylène, polyisobutylène, polystyrène, chlorure de polyvinyle, acétate de polyvinyle, chloracétate de polyvinyle et autres dérivés polyvinyliques, dérivés polyacryliques et polyméthacryliques, résines de coumarone-indène):

g) Plaques, feuilles, pellicules, feuilles en rouleaux ou bandes; tubes plats ou autres, blocs, barres, joncs, bâtons, monofil non destinés au tissage et autres profilés importés en longueurs, tous de section transversale uniforme:

Le numéro tarifaire 93902-84 est détaillé ci-dessous:

Commission "de recevoir et d'examiner les demandes que peuvent lui présenter les parties intéressées relativement à la situation future des mesures et de faire rapport au gouvernement au sujet de ces demandes de sauvegarde existantes".⁽¹⁾ Les lignes directrices élaborées par la Commission exigent que ces demandes soient reçues au plus tard six mois avant la date prévue pour la présentation du rapport de la Commission. La Commission est tenue de présenter son rapport au Ministre au moins 60 jours avant la date prévue d'expiration de la mesure de sauvegarde. Si la Commission ne reçoit aucune demande, on laissera la mesure de protection s'abroger à sa date prévue d'expiration.

L'ENQUÊTE ET L'AUDIENCE PUBLIQUE

En mai 1985, la demanderesse Mobil Chemical Canada Ltd., Films Division, a présenté une demande de mesures de sauvegarde contre les importations de pellicules de polypropylène orienté bi-axialement. La Commission a étudié la demande et, ayant jugé le 13 juin 1985 qu'il s'agissait d'un préjudice prima facie,⁽²⁾ a ordonné la tenue d'une enquête publique complète.

Cette conclusion prima facie a été publiée dans la Gazette du Canada le 29 juin 1985, en même temps qu'un avis annonçant qu'une audition publique de la demande aurait lieu le 4 septembre 1985 à Ottawa (Ontario). La Commission a par ailleurs envoyé des avis de la date d'audience aux pays bénéficiaires du TPG concernés, ainsi qu'aux importateurs et aux autres parties intéressées par la demande et par son issue. A la suite de ces avis, des interventions officielles, décrites ci-après, ont été déposées à la Commission.

(1) Dans une lettre subséquente, datée le 30 mai 1985, ces instructions ont été clarifiées d'avantage et on y a inclus un renvoi particulier à des mesures de protection concernant les chaussures en caoutchouc et les postes récepteurs de télévisions en couleur.

(2) A cette date a débuté la période de six mois prescrite à la Commission pour présenter son rapport au ministre des Finances.

recommande des mesures de sauvegarde à moins d'être convaincue que les importations de marchandises à des taux de droit réduits sous le TPG causent ou menacent de causer un préjudice aux producteurs canadiens", et que: La Commission devrait, dans le cadre de son enquête, essayer également d'établir si le retrait du TPG à l'égard du produit ou des produits en question permettrait en fait de soulager les producteurs canadiens.

Si l'on suppose que la Commission est en mesure de se convaincre entièrement qu'il y a préjudice, elle doit alors déterminer quelles seraient les mesures de protection les plus appropriées. Elle peut proposer, à titre de mesures temporaires ou permanentes, le retrait des avantages du TPG accordés à l'égard des produits de l'un ou de l'ensemble des pays bénéficiaires. Elle peut englober dans cette proposition non seulement les produits identiques à ceux pour lesquels la protection a été demandée, mais aussi d'autres produits semblables et directement compétitifs. Si le retrait total des avantages du TPG est proposé, les marchandises en cause deviennent alors passibles de droits aux taux courants de PB ou de la NPF, selon le cas. S'il n'y a qu'un retrait partiel des avantages, la Commission peut suggérer un TPG supérieur à celui alors en vigueur mais inférieur à celui couramment applicable en vertu des tarifs de PB et de la NPF. Une autre possibilité est l'imposition d'un quota sur les importations au taux tarifaire préférentiel de l'un ou de plusieurs des pays admissibles aux avantages du Tarif de préférence général. Dans ce cas-là, les importations pourraient entrer au Canada au TPG en vigueur, jusqu'à un niveau déterminé d'avance, au cours de toute période de douze mois consécutifs mais, par la suite, les taux tarifaires de PB et de la NPF seraient applicables.

Les mesures de protection temporaires supposent qu'il sera probablement nécessaire de procéder à une étude à une étape future. En prévision de cette exigence, le 10 février 1984, le ministre d'Etat chargé des Finances a écrit au président de la Commission du tarif pour demander à la Commission, en vertu du paragraphe 4(2) de la Loi sur la Commission du tarif "de recueillir les renseignements pertinents concernant les mesures de sauvegarde existantes, prises en vertu du TPG". En même temps, il a donné instruction à la

aux taux réduits en vertu du TPG. A mon avis, la Commission devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs. La Commission devrait, dans le cadre de son enquête, essayer légalement d'établir si le retrait du TPG à l'égard du produit ou des produits en question permettrait en fait de soulager les producteurs canadiens."

Bien que le Tarif de préférence général, à cause de son caractère

unilatéral, ne fasse pas partie de l'Accord général sur les tarifs douaniers et le commerce (GATT), de l'avis du Ministre, dans sa prise en considération du préjudice, la Commission "devrait tenir compte des facteurs économiques généralement reconnus comme pertinents dans le cadre d'une détermination de préjudice, par exemple, les facteurs figurant dans le Code antidumping du GATT et dans le Code des subventions et des droits compensateurs." (1) Ces

facteurs sont: "la diminution effective ou potentielle de la production, des ventes, de la part de marchés, des bénéfices, de la productivité, du rendement des investissements ou de l'utilisation des capacités; éléments qui influent sur les prix intérieurs; effets négatifs, effectifs ou potentiels, sur le flux de liquidités, les stocks, l'emploi, les salaires, la croissance, la possibilité de se procurer des capitaux ou l'investissement et, s'agissant de l'agriculture, point de savoir s'il y a eu accroissement de la charge qui pèse sur les programmes gouvernementaux de soutien". (2) Les Codes spécifient que cette liste "n'est pas exhaustive, et un seul ni même plusieurs de ces éléments ne constitueront pas nécessairement une base de jugement déterminante". Pour expliquer davantage le mandat de la Commission, le Ministre a fait savoir à la Commission "qu'il ne s'attendait pas à ce qu'elle

(1) Lettre de référence envoyée au Président de la Commission du tarif le 24 juillet 1980, dans laquelle le Ministre demande à la Commission, de faire enquête, en vertu du paragraphe 4(2) de la Loi sur la Commission du tarif, sur certaines questions ayant trait au Tarif de préférence général.

(2) GATT, Code sur les subventions et les droits compensateurs: Accord relatif à l'interprétation et à l'application des articles VI, XVI, et XXIII de l'Accord général sur les tarifs douaniers et le commerce (Genève, 1979), p. 15; aussi Code antidumping révisé du GATT: Accord relatif à la mise en oeuvre de l'article VI de l'Accord général sur les tarifs douaniers et le commerce (Genève, 1979), p. 8.

RENOVI 158

PORTANT SUR LE TARIF DE PREFERENCE GENERAL

DEMANDE DE MESURES DE SAUVEGARDE

PAR MOBIL CHEMICAL CANADA, LTD., FILMS DIVISION

- DEMANDE DE MESURES DE SAUVEGARDE N° 11 -

La Commission, ayant à sa disposition le rapport du président chargé de l'enquête ainsi que les résultats des enquêtes connexes par son personnel, rapporte ce qui suit.

INTRODUCTION

Le présent rapport de la Commission du tarif porte sur le Renvoi 158 ayant trait au Tarif de préférence Général (TPG) et vise la demande de mesures de sauvegarde présentée par Mobil Chemical Canada, Ltd., Films Division, Belleville (Ontario), au sujet d'importations de pellicules de polypropylène orienté bi-axialement, en provenance de pays bénéficiant de taux de droit plus bas en vertu du TPG. La demanderesse prétend que ces importations ont nui à sa production et ses ventes de pellicules de polypropylène orienté bi-axialement de par sa croissance rapide en terme de volume et de leur pression sur les prix, et a demandé que la Commission retire le Tarif préférentiel pour ces importations.

Le mandat de la Commission relatif à l'audition de la présente demande est précisé dans la lettre du ministre, datée du 24 juillet 1980, dans laquelle on peut lire: (1)

"Je demande à la Commission du tarif, conformément au paragraphe 4(2) de la Loi sur la Commission du tarif, d'étudier toute présentation qu'elle reçoit d'un producteur canadien selon laquelle ce dernier a subi ou peut subir un préjudice à la suite de l'application du Tarif de préférence Général lorsque la Commission est convaincue que l'affaire semble, au premier abord, bien fondée.

Si la Commission décidait de tenir une enquête, selon moi, elle ne devrait pas recommander l'application de mesures de sauvegarde à moins d'être bien convaincue qu'il existe un préjudice réel pour les producteurs canadiens ou une menace réelle de préjudice en raison des importations

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ÉTUDE ET RECOMMANDATIONS

La Commission, ayant pris connaissance du rapport du Président chargé de l'enquête, Monsieur R.K. Mathie, et de la preuve documentaire présentée au soutien de cette demande, soumet dans le présent rapport ses conclusions et ses recommandations conformément à la lettre de renvoi du ministre des Finances.

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